Austria	Sch[illegible]	Iran	[illegible]	Phillipines	[illegible]
Bahrain	[illegible]	Israel	[illegible]	Portugal	[illegible]
Belgium	[illegible]	Italy	[illegible]	Qatar	[illegible]
Canada	[illegible]	Japan	[illegible]	S.Arabia	[illegible]
Cyprus	[illegible]	Jordan	[illegible]	Singapore	[illegible]
Denmark	[illegible]	Kuwait	[illegible]	Spain	[illegible]
Egypt	[illegible]	Lebanon	[illegible]	Sri Lanka	[illegible]
Finland	[illegible]	Lux	LFr[illegible]	Sweden	[illegible]
France	FFr7.00	Malaysia	Rin4.25	Switz	SFr2.20
Germany	DM2.30	Mexico	Peso300	Taiwan	NT$65
Greece	Dr120	Morocco	Dh6.00	Thailand	[illegible]
Hong Kong	HK$12	Neth	Fl3.50	Tunisia	[illegible]
Iceland	Ikr125	Nigeria	[illegible]	Turkey	[illegible]
India	Rps15	Norway	Nkr10.00	UAE	[illegible]
Indonesia	Rp3100	Oman	Or 1	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No. 30,748 — Friday January 20 1989 — D 8523A

PRESIDENT BUSH

$30m inaugural jamboree

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World News

Yugoslavia names liberal reformer to head Cabinet

Yugoslavia named Mr Ante Markovic, a liberal reformer from Croatia and political rival of Communist Party leader Stipe Suvar, as the new Prime Minister to try to haul the country out of its economic crisis. Page 2

Palestinian shot

An Israeli soldier killed a Palestinian teenager with a shot in the head as the youth urged on stone throwers at a refugee camp in the occupied Gaza Strip during a strike to protest against an upsurge in Palestinian deaths. Page 3

Botha picks Heunis

Mr P. W. Botha, South African President hospitalized with a stroke, named Mr Chris Heunis, a long-time ally and minister of constitutional development, as the acting president. Page 3

Rebels warn bases

Communist rebels warned they were "in a position" to launch attacks on US military bases in the Philippines, 15 months after three American servicemen and a Filipino were killed outside an air base.

Soviet crime rises

The Soviet crime rate soared nearly 17 per cent last year as Mikhail Gorbachev's reforms unleashed not only more democracy but thieves and attackers as well, the Interior Minister said. Page 2

Polish unions angry

Gen. Wojciech Jaruzelski offered to resign as Communist Party leader after he encountered heated opposition to proposed trade union and political freedoms. Page 2

Czech activist held

Czechoslovak police detained a leading dissident, Mr Martin Palous, for taking part in a demonstration as scores of officers prepared for the fifth day of protests in Prague.

Moslem rivals clash

Shia Moslem rivals fought under the nose of Syrian troops in Beirut's southern suburbs as peace talks remained deadlocked. The clash broke truce in force since Saturday.

Burma fighting

About 900 Burmese government troops backed by mortars captured a major rebel military camp near the Thai-Burmese frontier.

Kuwaiti deflagging

Kuwait has decided to withdraw six of its oil tankers from US registration and end their right to US naval protection.

No kidnap clues

Belgian police investigators, plagued by a deluge of tip-offs and claims of responsibility, appealed for the supposed kidnappers of former Prime Minister Paul Vanden Boeynants to prove they are holding him.

Taba talks reopen

Israeli, Egyptian and US officials began talks on the return to Egypt of the disputed Red Sea beach of Taba, captured by Israel in the 1967 Middle East war.

Cold snap kills 70

Bangladesh's coldest weather for 20 years has killed at least 70 people in the past week, most of them flood and cyclone victims who slept outside or in straw and mud huts after their homes were destroyed.

Business Summary

Multi-million dollar fraud alleged at Chicago

THE US Federal Bureau of Investigation has uncovered multi-million dollar fraud at Chicago's futures exchanges as part of a two-year inquiry into the institutions' trading practices, according to local press reports. Page 20

JAPAN'S Ministry of Finance proposed a Y60,414.2bn ($471.7bn) budget for the 1989-90, a slight decline from the level expected in the current fiscal year. Page 3

UK MANUFACTURING output remained robust in November, rising at an underlying rate of about 7 per cent. Other statistics showed a further fall in unemployment and a slow down in earnings growth. Economic outlook, Page 9

ALCOA, Australia's leading aluminium producer, announced a 138 per cent lift in net earnings to A$357.9m (US$308.9m) from A$150.1m, helped by buoyant prices for aluminium. Page 22

JAPAN'S Big Four securities houses reported declines in their global earnings as a result of what Nomura, the largest, described as "the volatility in world capital markets." Page 33

HAMMERSON, Britain's third largest property company and currently subject to a £1.3bn ($2.3bn) bid, rallied strongly on hopes that Dutch bidder Rodamco may return with a higher offer.

BRITISH AEROSPACE last year secured a record 137 orders worth $1.5bn. Page 6

APPLE COMPUTER, Californian-based computer manufacturer, announced a significant expansion of its product range, in a bid to boost its market share. Page 22

SHAMROCK HOLDINGS, investment group representing Roy Disney family of California, increased its offer for Polaroid to $45 a share and said it would attempt to take control of Polaroid's board in a proxy contest. Page 22

ALUMINUM COMPANY of America (Alcoa), world's largest aluminium producer, reported reported record net earnings of $861.4m on sales of $9.80bn compared to $200.1m or $2.25 a share on sales of $7.77bn. Page 22, Commodities, Page 30

BANKAMERICA announced record fourth-quarter profits, boosted by the inclusion of two whole years' interest on Brazilian loans. Page 22

SWEDEN'S central bank announced the abolition of foreign currency restrictions on investments in Sweden and abroad. Page 25

CANADIAN chartered banks are launching a fresh attack on moves by foreign conglomerates to enter the domestic banking and financial services markets. Page 24

EXXON, US oil group, is to buy managing stakes in three coal mines on Australia's eastern seaboard in a deal of undisclosed value. Page 33

DIGITAL EQUIPMENT, US minicomputer manufacturer, announced net profits in the December quarter of $279.6m or $2.20 a share, 15 per cent below the 1987 period but much stronger than analysts had predicted. Page 22

TRUSTHOUSE FORTE, catering and hotels group, reported a 29 per cent rise in pre-tax profits to a record £232m ($408m) for the year to the end-October 1988. Page 27; Lex, Page 20

ISRAEL'S first loan as a sovereign borrower in the public international banking market was signed in London by banks from the US, Europe, Australia and the Far East. Page 26

Bundesbank raises interest rates but dollar stays firm

By Andrew Fisher in Frankfurt, Simon Holberton and Peter Norman in London

WEST GERMANY'S Bundesbank yesterday lifted its key interest rates by half a point, citing the need to dampen inflationary pressures and counter the weakness of the D-Mark against the dollar.

However, its move, which was preceded by similar interest rate increases in Switzerland and followed by interest rate rises in Austria, France and the Netherlands, had little initial impact on the dollar's strength.

The US currency also proved resilient in the face of successive waves of selling by central banks – with the exception of the Bank of Japan – in the major industrial countries.

It closed at DM1.8675 in London, only marginally below Wednesday's DM1.8695 level, and higher against the Japanese yen at Y129.70 against Y128.45. By mid-session in New York the dollar was quoted at DM1.8580 and at Y128.85.

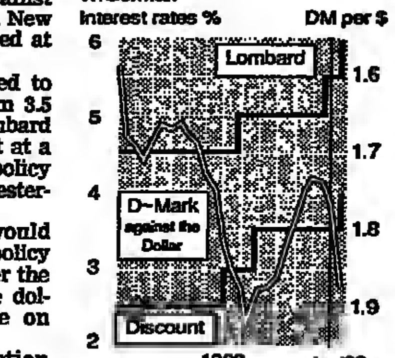
The Bundesbank decided to lift the discount rate from 3.5 to 4 per cent and the Lombard rate from 5.5 to 6 per cent at a regular meeting of its policy making central council yesterday.

Expectations that it would act to tighten monetary policy had increased steadily over the past week because of the dollar's strong performance on currency markets.

The Bundesbank's action caused controversy in West Germany, however. Mr Ernst-Moritz Lipp, chief economist of Dresdner Bank, called it "a big disappointment" and said: "There is no sense in concerted interest rate action which leads to an interest rate spiral and increases every month."

Agreeing with yesterday's action, Mr Hermann Remsperger, chief economist of BHF-Bank, said: "It is better to act quickly than wait too long." The stronger dollar, together with higher oil prices and domestic price trends, were pushing inflation higher, he said.

The Bundesbank's decision appeared to run counter to remarks made in the US last week by Mr Gerhard Stoltenberg, West Germany's Finance Minister. Yesterday Mr Stoltenberg, who had suggested that a rate increase was not necessary, said the move underlined the Bundesbank's stability-orientated policies.



Shortly after the Bundesbank acted, the Bank of France raised its key intervention rate to 8.25 per cent from 7.75 per cent and the five- to 10-day securities repurchase rate to 9 per cent from 8.5 per cent.

Interest rates in continental Europe last rose in the middle of December, when the Bundesbank increased its emergency Lombard funding rate to 5.5 per cent from 5 per cent. That action, to rein in money supply growth and curb inflation, triggered rate increases in France, Austria, Switzerland, the Netherlands and Belgium.

The rise in key West German interest rates was brushed aside by currency traders, who appeared to take the move as a signal to sell the D-Mark.

The successive waves of central bank intervention succeeded initially in pushing the dollar lower but by the close of the market in London the US currency had made up half of the losses attribnted to the intervention.

The Bank of Japan was the only member central bank of the Group of Seven leading industrial countries not to have intervened yesterday.

The yen has been stable

Continued on Page 20

Darman reaffirms Bush's opposition to higher taxes

By Peter Riddell in Washington

THE INCOMING Bush Administration yesterday toughened its public opposition to tax increases as a means of reducing the US federal budget deficit.

Mr Richard Darman, the budget director designate, and a central economic policy maker, sought to remove ambiguities about the definition of what would constitute a tax increase.

His comments, made on the eve of Mr George Bush's inauguration today, followed suggestions that the new Administration might be seeking a more flexible application of the campaign pledge not to raise taxes by redefining some revenue increases as user fees.

Mr Darman's evidence to a Senate committee was also intended to present the new Administration's initial negotiating position ahead of lengthy bargaining of the Democrat-controlled Congress over the bndget. The revised hndget should be submitted by mid-February at the latest.

Mr Darman said, in what is already becoming a Washington catchphrase, that what really matters in the talk about taxes is "the duck test." This comes from Cardinal Cushing of Boston who said: "If it looks like a duck, walks like a duck, and quacks like a duck, it's a duck." Mr Darman said in a similar vein: "If ordinary people think that what we are talking about is a tax increase, it's a tax increase."

Mr Darman said he was not recommending to Mr Bush that he violate the "duck test" and did not foresee the circumstances in which he should or would do so. He stressed that the new President's credibility was "extremely important" on this issue.

In answer to detailed questioning, Mr Darman said that while a petrol tax might be described as a user fee if it was applied for highway construction, he said it would be regarded by the public as a tax increase. Similarly, the taxation for the first time of employer-provided fringe benefits such as health insurance and the elimination of the deduction for interest on a home mortgage would also be generally seen as a tax increase.

He said that the public would not, however, regard as increases the renewal by Congress of certain taxes, such as those on telephone services, which were dne to expire under law, but were continued at the same rate. Similarly, an increase in tax payments by an individual as income rose would not be seen as an increase in taxes if nothing in the tax law changed.

Mr Darman, in a witty and erudite performance, gave no hint about how the Administration would reconcile the no tax increase pledge with cutting the deficit. In the spirit of the Administration he adopted a co-operative rather than a confrontational approach.

●The nomination of Mr James Baker as Secretary of State was yesterday unanimously recommended by the Senate Foreign Relations Committee and will be confirmed by the full Senate within the next few days.

Editorial comment, Page 18

Motorola sues Hitachi in US

By Louise Kehoe in San Francisco

MOTOROLA, the largest US semiconductor manufacturer, yesterday filed suit against Hitachi charging the Japanese company and its US subsidiary with patent infringement and unfair competition.

The dispute revolves around microprocessor technology, and is likely to intensify tension between the US and Japan over semicondnctor trade. It represents the latest in a series of US charges against Japanese semiconductor and computer companies alleging misappropriation of intellectual property.

The suit is significant because microprocessors are one of the few remaining segments of the semiconductor market in which US companies hold a significant lead over Japanese competitors. Motorola is one of the two leading US microprocessor producers; the other, Intel, is already locked in a patent infringement dispute with NEC of Japan.

In its suit, which was filed in Chicago on Wednesday, Motorola alleges Hitachi illegally used Motorola microprocessor technology to create its own range of microprocessor products and then attempted to persuade Motorola customers to switch to the Hitachi devices.

According to the complaint, Motorola licensed some of its proprietary microprocessor technology to Hitachi in 1986, but Motorola claims that licensing agreement limited Hitachi's use of the technology to production of Motorola-designed microprocessors in its role as a "second source" supplier.

The US company claims

Continued on Page 20

Shevardnadze: going public

Soviet Union to reduce tactical nuclear arms

By Robert Mauthner and Judy Dempsey in Vienna

MR Eduard Shevardnadze, the Soviet Foreign Minister, said yesterday that the unilateral reduction of Soviet forces and arms in Central and Eastern Europe, proclaimed by Mr Mikhail Gorbachev last December, would include tactical nuclear weapons.

Mr Shevardnadze also gave a boost to the forthcoming negotiations on conventional arms cuts – the conventional stability talks (CST), which start in March – by announcing that the Warsaw Pact would make public its data on the numbers of troops and arms of both sides in Europe, by the end of January.

The minister, speaking on the last day of the Vienna meeting of the Conference on Security and Cooperation in Europe (CSCE), said the timetable of the Soviet reductions, and the Soviet defence budget, would be made public, but he did not say when.

In spelling out that Moscow's unilateral reduction of forces by 500,000 men, 10,000 tanks, 8,500 artillery systems, and 800 combat aircraft, would also include tactical nuclear weapons, Mr Shevardnadze is bound to provoke more disarray in Nato's ranks.

The argument between the US and Britain, which want to modernise short-range nuclear weapons up to a range of 500km, and West Germany, where some politicians want to reduce or eliminate them, will be fuelled by Mr Shevardnadze's remarks.

Reiterating Moscow's proposal for negotiations on short-range nuclear arms, the Soviet minister denied that his country was engaged in the modernisation of such weapons.

Continued on Page 20

Failed bid for GEC weakens Plessey defence

By Terry Dodsworth, Industrial Editor, in London

PLESSEY, the UK electronics group, suffered a serious blow yesterday in its defence against a hostile Anglo-German takeover attempt when plans for a counter-offer against the General Electric Company of the UK collapsed.

The failure of the counter-bid, organised by Lazard, Plessey's merchant bank, will be a severe embarrassment to the company in its attempts to fight off the £1.7bn ($2.9bn) bid from GEC and Siemens of West Germany. It underscores the difficulty of bidding for GEC, Britain's premier electronics group, and will make it hard to mount a similar counter-offer at a later date.

Plessey's increased vulnerability was reflected in a 15p surge in its share price yesterday, taking it to 243p, or 18p over the GEC bid price. Analysts added, however, that Plessey shares had also been lifted by market suggestions that Thomson, the French State owned defence electronics company, might be enrolled as a white knight for Plessey and buy into the UK company. GEC shares slipped 4p to 208p.

Since the GEC/Siemens offer was announced two months ago, Plessey has launched a vigorous defence on a number of fronts. This includes a lengthy court action and complaints to the European Commission which have led to a full scale monopolies enquiry in Brussels and at the UK Monopolies and Mergers Commission.

The counter-offer proposals, however, had raised expectations of a much more unusual defensive action, in which a consortium of companies, including Plessey, would take over GEC and sell of its constituent pieces.

Plessey kept itself apart from these negotiations, which have centered on Metsun, a Lazard-inspired shell company headed by Sir John Cuckney, chairman of the Westland helicopter concern. But Plessey was a key element in the project, since it was planning to take over GEC's defence activities.

Despite the collapse of this strategy, Metsun indicated that it had not given up all hope of a bid for GEC. A new direction was needed at the company, it said, "in order to enhance shareholder value."

Metsun made the announcement after changing its merchant bank from Lazard to Barings, and hammering ont a statement with the Takeover Panel prohibiting it from renewing the offer for GEC in "present circumstances." So unless there is a substantial change in the present situation, such as the end of the Monopoly Commission inquiry, or a large deal involving either GEC or Plessey, it will be unable to come forward with another offer.

Metsun's statement attacked GEC's recent moves to place virtually half of its business in joint ventures with Siemens, Compagnie Generale d'Electricite of France and General Electric of the US. But it is clear that the last of these transactions was one of the factors which helped scupper its counter-bid proposals, since it both removed GE as a Metsun partner, and made GEC less easy to attack.

Metsun was also not able to weld other potential collaborators into a coherent unit. Problems appear to have emerged in particular over financing the counter bid over a three month period while the Monopolies Commission was considering the GEC offer for Plessey.

There was also uncertainty over the prospects of acquiring GPT, the telecommunications group owned jointly by Plessey and GEC, in which both have legal rights to acquire the half they do not own in the event of a bid.

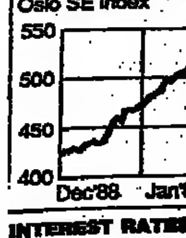
These questions over GPT were a particular deterrent to American Telephone and Telegraph, the world's largest telecommunications group, which had lengthy talks with Metsun last week. AT&T's refusal to commit itself was a severe blow to Metsun's hopes because one of the keys to the bid for GEC lies in selling the GPT business.

A number of companies are said to be still interested in Metsun's proposals to break-up GEC, including AT&T, Thomson, and two unnamed companies from the UK and overseas. Their determination will be tested over the next few weeks by their willingness to fund Metsun, a shell company with no income.

Meanwhile, Plessey's defence against the GEC offer, which has lapsed during the Monopolies Commission investigation, returns to a more conventional pattern. Two years ago, the company escaped from a bid by GEC when the Commission declared in its favour.

Thai contract, Page 18; Lex, Page 20; Background, Page 21

MARKETS



STERLING
New York lunchtime: $1.7575 (1.7525)
London: $1.7510 (1.7550); DM3.2700 (3.2800); FFr11.1400 (11.1825); SFr2.7850 (2.7900); Y227.00 (225.50)

DOLLAR
New York lunchtime: DM1.8580 (1.8725); FFr6.3335 (6.3830); SFr1.58075 (1.5915); Y128.85 (128.70)
London: DM1.8675 (1.8695); FFr6.3825 (6.3725); SFr1.5900 (1.5895); Y129.70 (128.45)

GOLD
New York latest Comex Feb $404.5 (403.3)

STOCK INDICES
New York lunchtime: Dow Jones Ind. Av. 2,248.21 (+9.46); S&P Comp 286.43 (+0.95)
London: FT-SE 100 1910.8 (+18.7); World: 141.91 (Wed)
Tokyo: Nikkei Ave 31,311.40 (-43.15)
Frankfurt: Commerzbank 1,678.1 (+27)

OIL
Brent 15-day (Argus) $17.70 (+0.25) (Feb)
West Tex Crude $19.175 (+0.10) (Feb)

INTEREST RATES
US lunchtime: Federal Funds $8\frac{13}{16}$% (same); 3-mth Treasury Bills: yield: 8.51% (8.522); Long Bond: $101\frac{1}{2}$ ($101\frac{3}{4}$) yield: 8.85% (8.825)
London: 3-month interbank: close $13\frac{1}{32}$% ($13\frac{3}{16}$)

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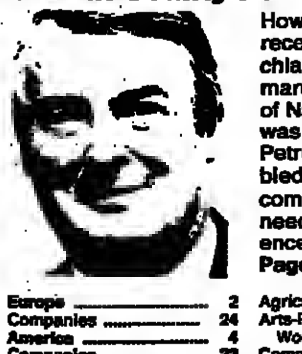

Howard Macdonald, recently appointed chief executive of the merchant banking arm of NatWest of the UK, was five years at Dome Petroleum, the troubled Canadian oil company - he will need all his experience in this job

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Liberal reformer named Yugoslav Prime Minister

MR Ante Markovic, a liberal reformer from the republic of Croatia and political rival of Mr Stipe Suvar, the Communist Party leader, was named yesterday as Yugoslavia's Prime Minister to try to haul the country out of its economic crisis, Reuter reports from Belgrade.

Mr Markovic's appointment by the State Presidency was seen by Western and Yugoslav analysts as evidence that a broad political compromise might have been struck between the two largest Yugoslav republics, Serbia and Croatia.

It also signalled that Yugoslavia might move more firmly towards liberal economic reforms which party conservatives resisted as the country plunged last year into its worst political and economic chaos since the Second World War.

Mr Markovic, 64, has served as president and prime minister of Croatia, as a member of the ruling Yugoslav Communist Party's policy-making central committee and as a participant in committees drafting economic reforms.

He is an accomplished industrial manager who speaks several Western languages. He believes in liberal foreign investment laws and closer economic ties with the West, especially with the European Community.

He takes the hot seat from Mr Branko Mikulic, who resigned on December 30 in a parliamentary showdown with regional leaders over an economic crisis reflected in a $22bn foreign debt, 251 per cent inflation and 1,700 strikes in 1988.

Mr Markovic is Mr Suvar's political arch-foe in Croatia. Mr Suvar rose through party ranks as an ideologist, while Mr Markovic was propelled upwards by his success as the head of the region's biggest industrial enterprise, the Rade Koncar motor combine.

The choice by the eight-member collective presidency, the highest constitutional body, must be approved by parliament, but this is usually a routine procedure.

The presidency passed over Mr Borisav Jovic, 60, a Serbian candidate and chief lieutenant of Mr Slobodan Milosevic, Serbia's populist Communist Party leader

Soviet minister's announcement complicates West's plan to modernise short-range nuclear arms

Shevardnadze makes life more difficult for Nato

By David White, Defence Correspondent

GOVERNMENT officials from Nato countries could not but welcome yesterday's announcement by Mr Eduard Shevardnadze, the Soviet Foreign Minister, that nuclear weapons would be included in Soviet withdrawals from Eastern Europe. But the publicity aroused by his declarations in Vienna exacerbates one of Nato's trickiest problems: how to carry West German support for modernising the West's own arsenal of short-range nuclear arms.

Nato defence ministers face crucial decisions at a Nuclear Planning Group meeting in Brussels this spring on the modernisation issue, especially on the replacement for US-made Lance missiles, in the face of strong opposition in West Germany and divisions within the Bonn coalition.

The fact that the Soviet divisions due to be withdrawn from East Germany, Czechoslovakia and Hungary should be taking their "organic" nuclear weapons – tactical missiles and artillery – with them came as no surprise to Western experts. Colonel John Cross, deputy director of the London-based International Institute for Strategic Studies (IISS), said that a decision to the contrary would have been "disingenuous."

However, Nato drew no attention to the nuclear implications at the time of President Mikhail Gorbachev's announcement at the United Nations in December, for fear of raising the temperature of the West German debate.

Mr Shevardnadze listens intently at yesterday's Vienna meeting

Experts believe, however, that the Soviet move would involve only a fraction of the short-range nuclear systems deployed in Eastern Europe, which far outnumber their ground-based weapons on the Nato side.

The six tank divisions which Mr Gorbachev promised to pull out of the three countries and disband would each have four missile launchers – either SS-21 guided missile systems or the earlier Frog battlefield rockets. This would make a total of 24 out of about 1,400 launchers the Soviet Union is said to have in Europe, against about 90 Lance launchers deployed by the US and other Nato armies.

Experts speculated that a small number of longer-range Scud missiles might also be withdrawn under the plans, which involve 50,000 Soviet troops currently stationed in the three countries. Figures compiled by the IISS last year showed seven Scud brigades in East Germany and two in Czechoslovakia.

Nato has resisted Soviet calls for arms control talks on short-range nuclear weapons, following the successful INF treaty eliminating medium-range ground-launched missiles, since it fears these would lead to the "denuclearisation" of Europe and undermine its policy of "flexible response." This policy includes the possibility of a nuclear response to a massive conventional attack.

The alliance plans to present its modernisation plans along with sharp further cuts in its stockpiles of nuclear artillery shells, with more effective weapons leaving room for a reduction in numbers.

Yesterday's announcement by Mr Shevardnadze coincided with short-notice inspections of cruise missile facilities in the UK by two Soviet teams under the INF treaty, at Molesworth, where the US missiles have already been removed for destruction, and at Greenham Common.

DETAILS OF PLANNED Soviet defence budget cuts revealed by Mr Mikhail Gorbachev on Wednesday may have been deliberately published to prevent any rearguard action from the military establishment, Western observers believe, writes Quentin Peel in Moscow. They are also thought likely to herald of a "white paper" on defence spending, which the Soviet authorities have promised but failed to produce.

At the same time Mr Gorbachev appears to have gone out of his way to reassure his Eastern neighbours, particularly China, of the extent of unilateral troop cuts in that region.

The budget cuts were revealed at a meeting with members of the Trilateral Commission, involving US, European and Japanese public figures. In particular, he said that the "armaments and military hardware" budget would be cut by 19.5 per cent, and the "defence budget" by 14.2 per cent.

The former figure refers to spending never publicly revealed, although recently estimated by a leading US economic analyst, PlanEcon, at Roubles 102bn (£93.5bn). That figure was calculated by adding up large residual items in unidentified central government spending, and research expenditure.

The defence budget is likely to refer to the traditional figure, which is published, but concerns personnel costs, material and technical supply, totalling Roubles 20.2bn in the 1989 budget.

Western sources said yesterday that the official report of Mr Gorbachev's meeting, carried by Soviet television and the Tass news agency, actually appeared to have included more figures than he gave to the Trilateral Commission members – suggesting a very deliberate exercise to make the details public.

"These figures are for foreign consumption and domestic military consumption," one Western observer said. "He is setting the limits for his team, putting the defence cuts into figures in such a public way that they cannot thereafter be challenged."

Reports of the meeting said Mr Gorbachev particularly stressed the relevance of the defence cuts in the Soviet Far Eastern division, involving Central Asia, Siberia, the Soviet Far East and Mongolia, as well as the Pacific fleet. He revealed for the first time, said Tass, that Soviet troops in Mongolia, estimated at 55,000, would be cut by 75 per cent, and the air force "liquidated." The overall reduction from the Far Eastern strategic region would be by 200,000 of the promised 500,000 troop cuts, he said, coming from both land forces and the fleet.

'Mole' hunt in French insider-dealing case

By Paul Betts in Paris

INVESTIGATORS into the insider-trading scandal over the acquisition of Triangle Industries of the US by France's state-owned Pechiney aluminium group are looking for a "mole" whose tips enabled investors operating either from France or through Swiss intermediaries to make substantial gains.

The contents of a 19-page document sent by the US Securities and Exchange Commission to the Swiss authorities clearly suggest that only someone very closely involved in the negotiations between Pechiney and Triangle could have leaked the information.

The SEC document shows that buying and selling in Triangle shares last year closely followed the twists and turns in the negotiations between the French group and Triangle.

Indeed, the first purchases took place in August when the negotiations were firming up. The following month, after a sudden break in the negotiations, a block of Triangle shares was sold.

Purchases resumed after the negotiations started again. A further burst of purchases took place just a few days before the Pechiney-Triangle deal was announced last November.

In France, it has been reported that two friends of President François Mitterrand bought shares in Triangle just before the takeover. One, Mr Max Theret, has admitted buying the shares but strongly denies acting on insider information.

Although they have denied acting on insider information, their involvement has fuelled the growing political controversy over the affair in France.

The investigations so far have also tracked down share purchases made through Luxembourg intermediaries. In all, about 300,000 Triangle shares are involved in the affair. The shares were purchased at an average price of $10 each which then soared to $56 – the price of the Pechiney acquisition.

However, the issue which is now exciting the greatest interest in France is the source of the original leak. The trail has led to a narrowing circle of individuals who were involved in the Pechiney-Triangle talks.

Should the trail eventually lead back to French government officials, the affair would inevitably assume even bigger political proportions in France.

"If, however, they are not involved, the affair may leave some political scars but will ultimately fade away," added one Paris banker.

The political controversy has been amplified by another row involving the unsuccessful raid against Société Générale, the leading French privatised bank, by a group of investors led by Mr Georges Pebereau, chairman of Marceau Investissements.

This affair has also led to insider trading allegations and provoked a dispute both between the Socialists and the right-wing opposition and within the Socialist Government itself.

The Société Générale controversy is essentially centred on the Government's efforts to try to break-up the Gaullist dominated hard-core shareholding structures of a number of large French groups privatised by the right.

Mr Pierre Bérégovoy, the Finance Minister, is expected to unveil today the details of the Government's proposed bill on breaking up the "hard cores".

The legislation, to be tabled in the spring session of Parliament, will enable state groups with stakes in privatised companies to be free to sell these shareholdings. Under the current law, they must first seek board approval for three years before shedding their stakes.

At the same time, the new legislation is expected to give the Government the right to block until 1992 any French or foreign stake of more than 10 per cent in a privatised group if considered contrary to the general interest.

Mr Bérégovoy again insisted that the Government wanted "all the truth to be known" about the Pechiney affair and defended the Socialist efforts to break-up the Gaullist hold on some privatised groups.

The Government is also committed to strengthening the powers of the Commission des Operations en Bourse, the stock market watchdog agency which has come under heavy criticism for the inadequacy of its intervention. Some bankers in Paris wryly remark that if the New York SEC had not shown such resolve to get to the bottom of the Pechiney-Triangle affair, the scandal would probably never have broken in France.

Brussels Who's Who

In some editions of yesterday's FT, the table headlined "Who's Who in Brussels" wrongly identified the functions of Directorate-General 22. Its responsibility is "co-ordination of structural instruments," the supervision of regional and social aid funds.

Soviet side hails CSCE document

By Robert Mauthner and Judy Dempsey in Vienna

THE Soviet Foreign Minister, Mr Edward Shevardnadze, yesterday described the Vienna document on the Conference on Security and Co-operation in Europe as a watershed which would speed up the "corrosion" of the Iron Curtain.

In a speech which went considerably further than previous Soviet statements on the future development of Europe, he said both the Vienna meeting and the Soviet reforms would contribute to "overcoming the split of Europe."

Such an achievement was, he said, linked to the "common European home," a term Mr Mikhail Gorbachev uses to emphasise the Soviet Union's close cultural ties with Europe.

But that home, he said, would have to take into account the ethnic minorities and nationalities, a reference clearly aimed at highlighting Soviet concern about the problems of resurgent nationalism in the Baltic states, Armenia and in Eastern Europe as a consequence of glasnost.

"All nationalities need a legalised and guaranteed protection of their cultural assets," said Mr Shevardnadze, who acknowledged that past Soviet policy led to emigration in which individuals lost their cultural roots.

And in a theme first raised in the Soviet Foreign Ministry earlier this month, he extended a welcoming hand to the Soviet diaspora, whatever their ethnic group, who have emigrated because of suppression of their identity.

"A person leaving his home country should not lose his spiritual and cultural links to it. This applies both to emigrants from the Soviet Union and to people originating from European countries who live in the USSR," he said.

It was a duty of states, "including ours" to provide guarantees to people that their language, cultural heritage, traditions and customs would be preserved.

Such words must have sounded like music to the Hungarians, who at the Vienna meeting repeatedly argued that their own ethnic minorities were repressed in neighbouring Romania.

Recognition of the "cross-section of Europeanism", Mr Shevardnadze continued, was part of the Vienna agreement. But more important, European states must now allow "advanced technology" and "financial capital" to take precedence over the continent's rich cultural heritage.

Interior Minister criticises Soviet policing

By Quentin Peel in Moscow

THE SOVIET police, battered by a string of corruption inquiries and purges, is struggling to control a soaring crime rate, according to Mr Vadim Bakatin, the recently-appointed Minister of the Interior.

Contrary to all official statistics – which indicate a falling crime rate – Mr Bakatin said the number of offences under investigation was up by 16.9 per cent over the past year, and he admitted that his militia and detective force was hopelessly ill-equipped to cope.

The very reform process in the Soviet Union was certainly a factor behind the upsurge in criminal activity, he said, but that reform was essential to overhaul the police force.

Street crimes were up 40 per cent, the newly-formed co-operative movement was facing a wave of protection rackets without adequate protection, and the police were unable to cope with the rampant black market.

The minister is the latest to take over one of the toughest portfolios in Mr Mikhail Gorbachev's regime, with a clear mandate to clean up the law enforcement agency.

The Ministry of the Interior became a centre of corruption during the Brezhnev era.

The then minister, Mr Nikolai Shcholokov, was sacked by Mr Yuri Andropov, and eventually committed suicide rather than face investigation. His deputy, Mr Yuri Churbanov, Mr Brezhnev's son-in-law, has just been found guilty of corruption and sentenced to 12 years in prison.

"The faults which became ingrained during the period of stagnation are serious," Mr Bakatin said, in a remarkably outspoken interview with the newspaper Pravda.

"We have bribe-taking, bureaucratism, callousness, cruelty, poor co-ordination and law-breaking in the ranks of the Ministry of the Interior."

Mr Bakatin said the criminal investigation department had "clearly lost its professionalism," in recent years while the criminal world was "consolidating itself and the development of co-operatives has caused a new crime wave."

Kohl warns against neutralism

By David Goodhart in Bonn

MR Helmut Kohl, the West German Chancellor, has warned against "neutralist tendencies" and the danger of taking hasty decisions in response to Soviet initiatives which might loosen Germany's attachment to the West.

Speaking at a meeting to mark the 40th anniversary of the founding of the Federal Republic he said that while Mr Gorbachev's new course had brought hope there was still a long way to go and his destination was unclear.

These remarks combined with the unpopular cabinet decision to extend military service from 15 to 18 months, taken earlier this week, are seen by some as a response to renewed grumbles from other Nato countries about a lack of leadership on security matters in West Germany.

Mr Rupert Scholz, the Defence Minister, also stressed yesterday that there was no "radical solution" to the nuisance of low-flying military jets but promised they would be reduced as far as possible.

Mr Kohl admitted that apparent apathy over defence matters had caused some people to question Germany's integration into the West.

But spelling out his own vision for a new "peace order" in Europe he said European unity was the only sensible answer to the unfinished "German Question." He added that German reunification and integration into the West were parallel – not opposing – developments.

Mr Hans-Dietrich Genscher, the Foreign Minister, stressed that the EC open market should not reduce economic and political contact with the East Bloc which was embarked on an "irreversible" reform.

Europe's political nomads look to Brussels for a single home

By David Buchan and Paul Betts

AFTER 30 years of spreading its activities between three cities, the European Parliament has taken a possibly decisive step towards shifting its centre of gravity towards Brussels, home of the EC's other main institutions – the Commission and the Council of Ministers.

Euro-MPs voted on Wednesday by 223 to 173 to shift 1,000 more of its staff from Luxembourg to Brussels, putting about 40 per cent of the Parliament's staff in the Belgian capital. It is already the site of all committee meetings and of a new "International Convention Centre" which by 1991 will have a 600-seat debating chamber theoretically big enough for full Parliamentary sessions.

The cities of Strasbourg (where plenary sessions are held) and Luxembourg (where most of the 3,600 staff live) have cried foul and will undoubtedly urge their governments to challenge the Parliament's action in the European Court, as they have done before.

"Advantage Brussels," screamed Strasbourg's main newspaper yesterday, and the city's hoteliers were frosty towards anyone whose national Euro-MPs backed the personnel shift.

Ms Edith Cresson, France's European Affairs Minister, yesterday called the issue a "national cause."

President François Mitterrand underlined his commitment to Strasbourg by issuing his New Year address from there rather than Paris. The Government has appointed Mr Claude Villain, a top civil servant, as "Monsieur Strasbourg" to co-ordinate the defence of French interests.

The game is by no means lost to France and Luxembourg, for any final decision on a single seat for the Parliament would need a unanimous decision by governments.

Few, if any, national leaders would want to upset Paris or Luxembourg on a matter not of vital interest to themselves.

The three-way allocation of committees to Brussels, staff to Luxembourg and plenary sessions to Strasbourg goes back to the early 1950s.

In January 1958 the then six member states said they would decide before June that year on one parliamentary seat. They never did, and the geographical division persists.

Euro-MPs troop off from Brussels to Strasbourg one week in every four, with hundreds of staff, translators and steel file containers in constant motion along 450km of Brussels-Luxembourg-Strasbourg motorway.

Euro-MPs pay a price for their nomadic existence – not only in extra cost, perhaps between Ecu30m ($33.6m) and Ecu40m a year, but in lost time and efficiency. The argument for a single seat anywhere – Strasbourg or Luxembourg – is strong. But most Euro-MPs now feel the case is even stronger for that single seat to be where the action is – Brussels.

Nothing is likely to happen before this June's Euro-elections. MPs have this week effectively instructed the Parliament's secretary-general to implement their wishes. But he will have to weigh what the Parliament can get away with legally.

For one thing, the Luxembourg Government already has a case concerning parliamentary staff before the European Court, and it could now seek a blocking injunction.

Fiat 'did not pursue anti-union strategy'

By John Wyles in Rome

ITALY'S Minister of Labour, Mr Rino Formica, yesterday absolved Fiat Auto of charges that it is pursuing a strategic design to weaken trade unions, but he claimed that management action in some of the company's plants "has tended to reduce union power."

Detailed reports from 110 inspectors sent into 30 Fiat plants around the country were still being prepared, Mr Formica said. But on the basis of evidence so far presented "there is no strategic design in Fiat to combat and liquidate the unions as a company objective," he told a parliamentary committee yesterday.

However, the Socialist Minister failed to relieve Italy's largest private sector company of all embarrassment over the allegations and from a determined Communist Party campaign to reassert the "democratic rights" of Fiat's industrial workers. Mr Formica's acknowledgement that some management actions have had the apparent effect of suppressing union membership and effectiveness will be seen by the most hostile union leaders as basically justifying their complaints. Fiat has consistently denied the existence of any grand anti-union design and also of any individual cases which may appear to discriminate against unions.

Norwegian forces cuts proposed

By Karen Fossli in Oslo

NORWAY'S defence chief, General Vigleik Eide, yesterday proposed a radical reorganisation of the country's military forces to meet the requirements of a NKr101bn ($15.2bn) five-year defence plan for 1989-1993 announced in June by Mr Johan Joergen Holst, the Defence Minister.

Norway is Nato's northernmost member. Its armed forces total over 300,000 when fully mobilised. Most are based in the north, close to the Arctic border with the Soviet Union.

The plan effectively cuts the rate of growth in expenditure from 3.5 per cent a year during the previous five years to 2 per cent or less. According to Gen Eide, the plan could result in annual savings in expenditure of NKr200m. However, the Storting (Parliament) increased the rate of growth for 1989, the plan's first year, to 2.5 per cent.

Gen Eide's three-point plan includes calls for a reduction of 1,350 in military personnel and an annual increase of 1-2 per cent in productivity.

To accomplish his ambitious goal, he proposes to dissolve two infantry regiments, consolidate two special weapons regiments, reduce military personnel in southern airfields and cut the navy's shore-based military personnel.

The proposal must be approved by Mr Holst, but largely follows guidelines in his five-year plan. It must then win parliamentary approval.

However, a timetable has not been set for Mr Holst's plan which has yet to be reviewed by the Storting. This is expected sometime this spring, but as 1989 is an election year, there could well have to be compromises over the final terms.

Union anger at Solidarity talks

By Christopher Bobinski in Warsaw

ANGRY LEADERS of Poland's official unions (OPZZ) met yesterday in the aftermath of this week's decision by the Communist party central committee to hold talks with Solidarity on legalising the free trade union, banned under martial law in 1981.

Solidarity spokesmen, meanwhile, refused to comment on the party's decision as they waited for a meeting of their own leadership in Gdansk at the weekend to decide whether to take up the offer.

The authorities say they are ready to talk to Solidarity on a timetable for its legalisation as long as it promises to respect the party's leading role, shuns Western financing and supports economic reform policies.

Conference clears some of the air around climatic change

By John Hunt in Turin

SCIENTISTS travelling to Turin this week for an international conference on climatic change faced hours of delay as fog closed airports in northern Italy and flights were diverted as far away as Nice.

However, the conference did manage to dispel some of the haze surrounding the complex problems of the depletion of the ozone layer, the "greenhouse effect" warming of the Earth's atmosphere and the effects of acid rain.

There was general agreement that massive programmes of research have proved beyond reasonable doubt that these phenomena pose a threat to the atmosphere, and that urgent action is necessary even though conclusive evidence may never be forthcoming. As Mr Gianni Zandano, chairman of the San Paolo Foundation, organisers of the conference, put it, the public is in a mood of "existential unease" over these threats.

The consensus was that the arguments must no longer concentrate on the purely scientific evidence but must move into the realms of politics, economics and sociology. The time had come for a co-ordinated programme of action involving governments, scientists and industry. But although the tone of the meeting was optimistic, specific solutions were not readily forthcoming.

Those present had been encouraged by the establishment of the Inter-Governmental Panel on Climatic Change in which the US, the Soviet Union and Britain are playing a leading role under the auspices of the United Nations Environmental Programme.

They were also cheered by the Montreal agreement under which EC states and 20 other countries are reducing the use of CFCs (chlorofluorocarbons) by 50 per cent by 1999. CFCs used in aerosols, refrigeration and some plastic foams are prime causes of the thinning of the ozone layer in the upper atmosphere, thus contributing to global warming.

Nevertheless, the conference felt that this programme was insufficient to halt the depletion. A reduction of at least 90 per cent in CFC use was demanded by Mr Robert Watson, a British scientist who is director of the Upper Atmosphere Programme of the US National Aeronautics and Space Administration.

He cautioned, however: "We can't get rid of CFCs tomorrow. They are very valuable to society. We have to give industry time to develop safe substitutes."

Other measures proposed included better energy efficiency and conservation plus the development of alternative sources such as tide and wind power. It was also felt that natural gas and similar fuels which are less rich in carbon should be used more widely in preference to coal and oil.

A slowing or reversal of the destruction of the tropical rain forests – which has contributed to the greenhouse effect – was also seen as a priority.

Although the conference attempted to steer clear of political discussion, there were signs of a split between those who see the way forward through increased governmental regulation of industry and those who favour free market solutions to pollution.

It was also apparent that the scientists now feel that global warming and the resulting climatic changes present a much more intractable problem than ozone layer depletion.

Alternatives to CFCs are being developed, so at least there is a solution to one part of the problem. But the causes of the greenhouse effect are complicated and involve other gases such as carbon dioxide, nitrogen oxides and methane in addition to CFCs. There are many imponderables and interactions involved in climatic change and global agreements between governments will be much more difficult to attain.

On the problems of acid rain, the Americans are now applying a massive research effort. The US National Acid Precipitation Assessment Programme, according to its director, has 100 authors preparing 60 papers on acid rain and anticipates having 5,000 pages of research completed by the end of the year.

The Soviet Union, like Britain, has not had a good record on sulphur emissions, but not much light was shed at the conference on the problems in the communist bloc.

The people of Italy, at least, seem certain where the responsibility lies for cleaning up the environment. A recent national opinion poll revealed that 71 per cent thought the responsibility lay with the politicians, while only 24 per cent believed it was a matter for the public generally.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societats-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK

OVERSEAS NEWS

Japanese budget marked by deficit spending cut

By Ian Rodger in Tokyo

FISCAL AUSTERITY appears to be returning to the Japanese Government's budget policy despite the country's continuing high trade and current account surpluses.

The Ministry of Finance yesterday proposed a Y60,414.2bn (£268bn) government budget for the 1989-90 fiscal year, a slight decline in spending from the level now expected in the current fiscal year. Officials said the budget would enable the Government to reduce its deficit spending while maintaining a high level of domestic demand.

Officials emphasised yesterday that the budget represented a 6.6 per cent increase over the initial budget for the current year. However, at the same time, they published a Y5,152bn supplementary budget, financed largely by a Y3,000bn overshoot on tax revenues, that would increase current year spending to Y61,951.7bn.

The draft budget will now be considered by the cabinet. On past form, it will remain largely intact except for the proposed budgets for defence and aid which will probably be raised somewhat.

In contrast to the general budget, the Government's capital budget (the so-called fiscal investment and loan programme) would rise a substantial 9.3 per cent to Y32,366.6bn under the draft after a 6.2 per cent rise in the current fiscal year.

A high level of public works spending, which was established two years ago under pressure from foreign governments, would be maintained. The Ministry of Finance has proposed that the public works budget rise 2 per cent to Y7,427bn.

The Government expects to be able to reduce its deficit financing by 16 per cent to Y7,957bn compared to the previous year because of an unexpectedly high level of tax revenues in the current fiscal year. It is budgeting a further reduction in bond issues to Y7,111bn next year.

Japan still has a relatively high level of budget deficits among leading Western countries (a forecast 11.8 per cent of GNP in fiscal 1989-90), and the Government is committed to eliminating them within two years.

The country's official development assistance budget would rise 5.9 per cent to Y740bn in 1989 under the draft. However, its total aid programme in dollar terms would be little changed at slightly more than $10bn. It is widely expected that the cabinet will insist that it be raised further.

Similarly, the defence budget is set to grow at 5.2 per cent for the third year in a row to Y3,932.7bn. Because of the high growth rate of Japan's gross national product, this would nevertheless mean a slight decline to less than 1 per cent of GNP compared to the previous year because of the defence budget. In the current year also, the ratio is expected to slip fractionally below 1 per cent of GNP.

Enthusiasm for a new yen quickly runs out of steam

By Ian Rodger in Tokyo

EVERY SO often, a few Japanese get enthusiastic about redenominating the yen.

It is unbecoming for an economic superpower to have a currency whose basic and only unit is worth less than a halfpenny, they say. It is also confusing to foreigners who glaze over when yen amounts reach into the trillions (thousand billions), as they often do these days in this wealthy country.

Usually, these enthusiasts are close to the stock market. Rumours of redenomination tend to cause shares of paper, printing and ink companies to sizzle for a few days until it becomes apparent that there is no immediate prospect of action.

However, there is an underlying strand of substance. Mr Kiichi Miyazawa, the former Finance Minister, said a few months ago that redenomination would promote the international use of the yen, and some analysts thought it would be something that could be done when Emperor Hirohito died and a new era began.

Thus, there was considerable excitement this week when Mr Shintaro Abe, secretary general of the ruling Liberal Democratic Party, one of the most influential posts in the land, said at a press conference that "the idea of redenomination of the yen may be favoured by Prime Minister Noboru Takeshita."


Abe: out of turn

The wires hummed and many analysts expected that the shares of the leading paper and printing companies would soar when the Tokyo Stock Exchange opened yesterday morning.

However, in the meantime, others intervened to make clear that Mr Abe had mysteriously spoken out of turn. Mr Takeshita himself said delicately that Mr Abe "might not have been speaking specifically". Bank of Japan officials weighed in, pointing out that no discussions of the idea had taken place recently and that it would not be appropriate to carry out redenomination at a time when the tax system was about to be shaken up and other financial system changes were in the works.

Business leaders too were upset, saying they had heard nothing about it. Mr Sotoo Tatsumi, president of Sumitomo Bank, one of the top commercial banks, said in an interview yesterday that while redenomination was something to consider in the longer term, there was no need to do it now. He said the light yen was no inconvenience for the Japanese. "We are used to it."

Stock market investors had little difficulty in choosing whom to believe. The leading paper and printing stocks rose briefly but settled back, to make modest gains or losses on the day.

Peking predicts growth of 10%

By Colina MacDougall

CHINA'S State Statistical Bureau has predicted economic growth of at least 10 per cent in 1989, well above the central government's earlier forecast of 8 per cent, the China Daily said yesterday.

Last year economic growth was excessively fast and uneven, and Peking is now trying to stabilise it by slowing industry and expanding agriculture.

While debate over policy has increased in China under the reform, it is a measure of the uncertainty that a department should differ publicly from the central government on something as concrete as an economic plan.

Industrial growth in the first quarter will exceed 10 per cent because of last year's credit expansion and rapid growth, the State Statistical Bureau said, though current austerity programmes and bottlenecks in energy, transport and raw materials will help to curb it.

By contrast, agriculture will have problems meeting planned targets, and low state purchase prices would discourage farmers from raising cotton and pigs.

Officials earlier suggested that grain purchase prices would be raised to spur output, but this still seems uncertain because the Government cannot afford more subsidies and fears their inflationary effect.

It would be difficult to stabilise prices in the wake of 1988's inflation (around 20 per cent), the bureau added, and this alone would guarantee an 8 per cent increase in 1989 prices. Large private cash holdings, currently estimated at Yuan 54bn (£8.3bn) or three times the end-1987 figure, were likely to fuel spending.

China and Vietnam in top-level talks

CHINA and Vietnam held their highest level meeting in nine years yesterday and discussed the conflict in Kampuchea and sensitive territorial disputes, Reuter reports from Peking.

Both countries remained silent over the talks which diplomats said were part of international efforts to secure a withdrawal of Vietnamese forces from Kampuchea by September.

The Chinese Foreign Ministry declined to answer reporters' questions on "private negotiations" between Dinh Nho Liem, the Vietnamese deputy foreign minister and Liu Shuqing, his Chinese counterpart, earlier this week.

But the ministry disclosed that Liem, the highest ranking Vietnamese official to visit Peking since 1980, was yesterday due to meet Qian Qichen, the Chinese foreign minister.

Liem is expected to leave Peking today or tomorrow, returning to Vietnam via Bangkok.

The Soviet Union, Vietnam's main ally in its ten-year-long occupation of Kampuchea, has pressed China to open direct talks with Hanoi.

China and Vietnam fought a border war in 1979 shortly after Hanoi sent troops into Kampuchea to oust the Chinese-backed Khmer Rouge.

Botha appoints Heunis as stand-in

By Jim Jones in Johannesburg


Heunis: symbolic job

PRESIDENT P W Botha yesterday appointed Mr Chris Heunis, the Minister of Constitutional Development, as South Africa's acting State President.

The move was seen as largely symbolic, as Mr Botha, who suffered a mild stroke on Wednesday, is reported to be alert. A bulletin put out by the commander of the military hospital caring for Mr Botha said the President was able to sit in a chair, and that his facial muscles had not been affected by the stroke.

Yesterday's choice of Mr Heunis to act in Mr Botha's place does not signify he would succeed to the presidency when Mr Botha relinquishes his post. The selection of a new president lies with the 88 members of the electoral college whose caucus is controlled by the ruling National Party.

Mr Heunis's appointment by Mr Botha rather than by the Cabinet carried the message that the President remains able to oversee the Government. Nevertheless, this has not ended speculation as to whether Mr Botha will relinquish the presidency and if he did, who would succeed him.

In September 1987 Mr Botha said he would retire at the first sign that his health would not allow him to go on with the job.

● Four political prisoners – Walter Sisulu, Ahmed Kathrada, Andrew Mhlangeni and Raymond Mhlaba – visited Mr Nelson Mandela for six hours on December 23, it has been disclosed.

The four men were convicted of of treason with Mr Mandela and had been jailed with him. In December Mr Mandela was moved to a house in the grounds of a prison at Paarl, 50 miles from Cape Town as part of a phased release. No details have been revealed of the meeting.

S Africa in a quandary over President's power

By Anthony Robinson in Johannesburg

FEW CONSTITUTIONS concentrate so much power in the hands of one man as the South African constitution of September 1984.

The justification at the time was that the nature of the South African crisis demanded it: the townships were in revolt, the economy was in difficulties, and political reform was imperative. If P W Botha was to grasp the nettle, so the argument ran, he needed extraordinary authority.

Most political commentators and many MPs now maintain that it was mistake to put so much power in the hands of one man, but South African policy makers are in a predicament.

Many believe it is necessary to amend the constitution and restore checks and balances to the presidency. Yet this requires the consent of all three chambers of the country's tricameral parliament – and members of the Indian and Coloured chambers, cynical and disillusioned about the ruling National Party's commitment to fundamental change, could demand a high price for helping out their white colleagues.

In the meantime, the much feared Pieter Willem (P W) Botha, the man who created that constitution, and for whom the role of Executive State President was tailor-made, lies in a hospital bed, perhaps capable in time of returning to the fray and no doubt keeping a close eye on what his cabinet gets up to.

Advocates of constitutional reform have a formidable package to disassemble. The existing constitution abolished the former distinction between a largely ceremonial State President and an executive Prime Minister. In its place it created the new post of Executive State President which combined both functions and added many more. As this neo-Gaullist system came into being many of the checks and balances which restrained governments and powerful ministers under the old system went out the window.

The formal powers of South Africa's "Imperial President" exceed even those of Mr Mikhail Gorbachev, the Soviet President. The man who occupies the Cape Town Tuinhuis is head of the ruling National Party, head of government and head of state.

He is also chairman of the cabinet, commander in chief of the armed forces, head of the National Intelligence Service, chairman of the State Security Council and head of the President's Council, the top level policy advisory body. To crown it all the State President is also paramount chief of all the country's various black tribes.

Little wonder under the circumstances that when the President has even an officially described "mild stroke" the shock waves reverberate throughout the body politic.

Historically the slide towards autocratic rule gathered speed under Hendrik Verwoerd, the Dutch-born "super-Afrikaner" and architect of classic apartheid. He masterminded a dramatic shift away from British-style institutions in this former British colony when he took South Africa out of the Commonwealth in 1961 after a close-fought referendum.

But it was Mr Botha and his constitutional experts who declared that "West-minster-style" parliamentary democracy was inappropriate for South Africa with its entrenched Afrikaner ruling class and ethnic diversity.


Botha: tailor-made

The new constitution retains many of the trappings of Westminster – including a bewigged Speaker, a gilded mace and a multi-party system. But when the new parliament assembled in September 1984 it did so in three racially segregated houses.

The white House of Assembly sat in the old chamber modelled closely on Britain's House of Commons. The house for Coloured (mixed race) MPs was called the House of Representatives and sat in the former Senate, in the same elegant, neo-classical Cape Town complex. Asian MPs were lodged in a new House of Delegates just across the road.

The entire system was designed to ensure that whoever controlled a majority in the House of Assembly controlled the entire parliament. Seats were allocated on the ratio 4: 2: 1, giving an entrenched majority of whites.

Blacks, 72 per cent of the population, were not given a fourth chamber, partly because no formula could be found which would prevent them swamping this careful arithmetic.

One of the key problems remains how to give blacks a share in power at a central, parliamentary level – without the 5m whites and other minorities being swamped on a straight one/man, one/vote basis.

The new constitution received a fiery baptism. Black resentment against exclusion – and Coloured and Asian anger against being forced into a racially segregated "apartheid" parliament – underlay the explosion of township violence which began the week before the new parliament sat for the first time.

In September, or April 1990 at the latest, Mr Botha's five year mandate comes to an end. According to the constitution his successor will be chosen by a presidential election caucus which meets after a general election of all three houses. Whites, with 50 of the 88 votes have an effective majority over the combined 25 coloured and 13 Asian votes. Any amendment to the constitution requires a majority vote of all three houses.

For any change,including that of the powers of the President, to be truly effective, however, the unenfranchised black majority must also be involved.

Afghan rebels may have softened stance

By Christina Lamb in Islamabad

DIRECT PEACE talks between Afghan guerrilla leaders and the Soviet Union are expected to resume very soon amid signs that the Mujahideen may compromise in return for the removal from Afghanistan of most of the Soviet-backed cabinet, according to Western diplomats in Islamabad.

An official announcement is expected after Sunday when leaders of the alliance of seven Pakistan-based resistance groups announce the names of 480 members of a *shura* or council to be convened on February 1 and the composition of an interim government to be put up for approval by the *shura*.

If they bow to the combined pressure of Pakistan, Iran and Saudi Arabia for the need to make some concession the list will include names of at least 12 "good Moslems" from the Kabul administration of the Communist People's Democratic Party of Afghanistan.

More important, Pakistan's Foreign Ministry and two of the alliance parties have proposed that some high-ranking non-party members of the Kabul regime be included in the interim government.

These proposals would provide a face-saving solution for Moscow which is anxious both to retain some influence in the future government and to avoid a political humiliation on top of a military defeat.

The Soviet side is expected to react positively to the announcement. Mr Eduard Shevardnadze, the Soviet Foreign Minister, who visited Kabul last week, is understood to have told President Najibullah that Moscow had done all it could to help the regime and diplomats confirm that preparations are complete for virtually the entire Kabul cabinet to be airlifted out when the withdrawal is complete.

The deadline for withdrawing the last 50,000 Soviet troops is February 15 although some analyses suggest that if the present rate of withdrawal is maintained most of the country could be evacuated by the weekend of February 4 and 5 which means the departure of the government leaders could be very close indeed.

However, it is still not clear whether all the Soviet troops are crossing the Oxus River into the Soviet Union or regrouping around the northern town of Mazar-e-Sharif to help the Afghan government forces fortify a last stronghold close to the Soviet border.

Negotiations between the Soviet side and the resistance for a political settlement to the nine-year conflict began in early December in Taif, Saudi Arabia, and continued early this month in Islamabad. They reached a halt when the Mujahideen rejected outright any role for the Communists and the Soviets insisted on some role, albeit marginal, for the PDPA.

Pakistan was angered by the Mujahideen leadership's decision to call off talks and has been pressing them since to soften their stand. In talks with King Fahd in Saudi Arabia, Ms Benazir Bhutto spoke of the need for a political settlement.

Israeli co-op gives in

By Laura Blumenfeld in Jerusalem

THE EGGED bus co-operative, part of Israel's public transport system, is preparing to accept a strict government recovery programme aimed at eliminating the company's crushing debt.

Along with other debt-ridden Israeli companies, Egged is lining up for government aid without which, it says, operations will grind to a halt. According to the Transport Ministry, the company's real obligations could be as high as $500m rather than the $170m which the company says it owes to banks and government.

After two weeks of resistance, Egged officials sullenly accepted most of the Treasury's list of demands. These include a painful salary cut for Egged members, the selling of some of its assets, and a commitment to reduce its $380m pension fund deficit, a deficit aggravated by the early retirement age – of 48 – for employees.

The team of Egged negotiators would not, however, buckle under government pressure to allow competitors to run some of their routes. Egged currently has a near-monopoly of the country's urban and inter-urban bus transport routes.

On Tuesday, the public chastising of the workers' co-operative went a step beyond threats as Bank Leumi, Egged's principal creditor, won a court order for the temporary attachment of its funds.

Israelis jail protestors

By Andrew Whitley in Jerusalem

AN ISRAELI military court yesterday sentenced a Palestinian to eight months imprisonment and a heavy fine for being about to throw a stone at soldiers. In another case, two other stone-throwers were given 18 and 16 months in jail.

The two cases, in the Nablus and Ramallah military courts, appeared to be the first consequences of the announcement by Mr Yitzhak Rabin, the Defence Minister, this week of much harsher treatment of Palestinian demonstrations in the occupied territories.

The punishment meted out contrasted with a recent decision by the Israeli authorities not to bring charges against Rabbi Moshe Levinger, a prominent Jewish settler leader, suspected of killing a shopkeeper last year in the West Bank city of Hebron. The police decided there was insufficient evidence to charge the extremist settler leader, who claimed he had merely fired into the air.

As protests by liberal Israelis over the rising death toll among young Palestinians mount, the left-wing Peace Now movement, staging a vigil outside the residence of Mr Yitzhak Shamir, the Prime Minister, has called on the Defence Minister either to reverse his policies or resign.

Faced with heckling from both the left and right, on Wednesday Mr Rabin walked out of the Knesset during a parliamentary debate of no confidence in the Government's handling of the unrest.

HK market welcomes Bill change

By John Elliott in Hong Kong

THE HONG KONG stock exchange yesterday welcomed a decision by the Government to amend its Securities and Futures Exchange Commission Bill and make it clear that one of the commission's primary functions will be to encourage self-regulation by the markets.

The Government amendment is seen as an attempt to defuse a growing row with the exchange, which has complained there will be over-regulation of the stock market.

The Bill was introduced to the colony's Legislative Council on Wednesday. It was drawn up following the world markets crash in October 1987 which closed the Hong Kong exchange for three days and was followed by corruption scandals.

In a speech to the council, Mr Piers Jacobs, the Financial Secretary, said he intended at the committee stage to move an amendment making "promotion and development of self-regulation by market bodies" one of the commission's functions.

"This goes a long way to express the government's commitment to self-regulation in Hong Kong," said Mr Francis Yuen, chief executive of the stock exchange.

Mr Jacobs also indicated that the Government was looking for a compromise over controversial plans, opposed by the stock exchange, for financing the commission's operations.

Soviet troops to stay in Far East says Nakasone

MR Yasuhiro Nakasone, the former Japanese Prime Minister, said in Moscow yesterday that the Soviet Union's promised troop cuts in east Asia would not include the Soviet Far East and eastern coastal areas, Kyodo News Agency reported.

Mr Mikhail Gorbachev, the Soviet leader, announced details of the cuts during talks on Wednesday in Moscow with Mr Henry Kissinger, former US Secretary of State, Mr Valery Giscard d'Estaing, the former French President, and Mr Nakasone.

He said that of the 500,000 men to be cut from the armed forces over the next two years, 200,000 would be from the Soviet Union's eastern sector.

Mr Nakasone was qnoted saying Mr Gorbachev told the statesmen that Moscow would withdraw the 200,000 troops from near Mongolia.

Japan earlier had welcomed the Soviet troop cuts in east Asia and said it boped some would be withdrawn from disputed islands off the northern Japanese island of Hokkaido.

Tamil Nadu voters scramble for populism's illusive bounty

The grip of India's Congress (I) Party has given way to a multiplicity of competing movements, says David Housego

POPULISM – the pursuit of power by extravagant electoral promises – is on the increase in India. Bnt nowhere has it reached such proportions as in the large southern etate of Tamil Nadu which goes to the polls to elect a new state Assembly tomorrow.

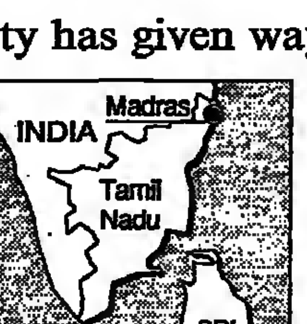
Jayalalitha, the film actress whose wing of the regionalist party, the All India Anna Dravida Munnetra Kazhagam (AIADMK) is expected to win the second or third largest number of seats, had her aides scatter five rupee notes from the platform in her constituency last week as if to demonstrate the golden age that her administration would bring in. She had the crowd scrambling at her feet.

Now plump and certainly less glamorous than she was when she played leading lady to M G Ramachandran (MGR), Tamil cinema hero and the state's former Chief Minister who died last year, her message is that she will carry through what MGR did not have time to achieve.

"There are lots of things MGR had in mind to do," she tells cheering crowds before blaming his enemies, including his widow Janaki who leads a competing faction of the AIADMK in the election, of ruining his schemes.

Among the wilder, unfulfilled programmes of MGR, the all-time populist leader, were promises of one job for every family; doorstop delivery of low cost vegetables; training for village women in climbing palm trees to collect palm fronds for handicrafts; and a specialist snake doctor for every village.

Not to be ontdone in this electoral auction, the Congress (I) Party – which should know better after almost 40 years in power in Delhi – has also been nourishing popular illusions. It is promising in



Tamil Nadu to create 500,000 new jobs a year (almost ten times the current level); a partial write-off of farmers' debts (though it has condemned such schemes elsewhere); and to reserve a quarter of new jobs in government to women.

The confusion between dream and reality is carried into the parties' election poster campaign. In Madras, the state capital, giant hand painted portraits of Mr M Karunanidhi, the leader of the DMK, another regionalist party which is expected to form the next government, and of Jsyalalitha, tonch shoulders with hoardings advertising the latest Tamil films. Mr Karunanidhi, short on screen charisma himself, has enlisted a bevy of stars to campaign with him.

Populism is on the increase in Tamil Nadu as elsewhere because the grip that Congress had over Indian political life has given way to a a multiplicity of smaller movements each trying to outbid the other. In Tamil Nadu, the latest fragmentation has besn the break-up of the AIADMK which had been in power for almost ten years and collapsed with the death of its founder, MGR. In oorthern India the fragmentation has come with the growth of new caste, communal, agricoltural and regional movements.

Populism has also increased because economic growth has not kept pace with popular expectations. Real income per head in a state of almost 50m has heen below the national average and has barely increased since the early 1960s. Over 80 per cent of the population is underfed.

In such circumstances "there is a case for populism," says a former official who has been close to successive governments. "If we are going to have democracy, there has to be some populism." As an example of a worthwhile populist measure he points to the state's programme of free lunch time meals for the village poor which have helped raise health and nutritional standards.

But populism has also been at a price in terms of economic development. The free meals programme costs Rs2bn out of a total state budget of Rs33bn. Along with other rising social welfare allocations, it has helped drain funds away from investment. Tamil Nadu, which in the early 1960s was one of the states with the fastest rate of industrial growth and one of the highest rates of industrial investment, has now slipped well behind.

Another reason why Tamil Nadu has stagnated industrially has been the growing corruption and inefficiency of its government under MGR. Failure to project ahead the state's electricity requirements has meant that industry gets 40 per cent less power than it needs. Companies held off investing because MGR and his officials had to be bribed at every turn. During the illness of his latter years, he became increasingly inaccessible and declined to delegate responsibility.

"It took four days alone to find out where he was," says one businessman. "His main concern was to safeguard his public image" – which he did successfully in the sense that until his death his popularity remained undiminished.

Officials say that any new administration will have to begin with a squeeze on welfare spending to help put the state's finances back on their feet. But the theme song of the electoral campaign has been an increase in subsidies for rice with Janaki (MGR's wife) promising to make it available at Rs1 (4 pence) a kilo as against the offer of Jayalalitha (his former leading lady) of Rs1.75 a kilo. The government controlled price is currently Rs4 a kilo and the free market price around Rs10.

In similar vein Prime Minister Rajiv Gandhi's government in Delhi is battling with the shortage of funds that stems from an awesome growtb in the national debt and interest payments. But that has not stopped him and his Congress party from embarking on a draft election manifesto stuffed with promises

AMERICAN NEWS

$30m inauguration party for the man in the business suit

Lionel Barber on the celebrations for the inauguration of President George Bush in Washington

JOHN Kennedy wore a top hat and tails. Ronald Reagan wore a morning suit. But when George Bush stands in front of bullet-proof glass at noon today to be sworn in as the 41st President of the United States, he will be wearing an informal dark business suit.

Mr Bush, Phi Beta Kappa at Yale, wants to be a man of the people. And so this year's inaugural, including parades, pageantry and a park concert, has been billed as the most public celebration ever.

It is also the most lavish. By the time the bells toll in Washington Cathedral on Sunday for a National Day of Prayer and Thanksgiving, this five-day party will have cost as much as $30m (£17m), largely bankrolled by interest-free loans from big business and private contributions.

Among the highlights: a $1,500-per-ticket inaugural dinner which proved so popular on Wednesday that it had to be spread over three locations, and last night's black-tie Presidential Inaugural Gala featuring Frank Sinatra, Loretta Lynn (Mr Bush's favourite Country and Western singer) and tickets ranging from $150 to $25,000 for a box.

The Bicentennial President Inaugural Committee (Bicep) is staffed primarily by 20,000 volunteers, and its directors are confident that ticket sales and merchandising will recoup much of the expense. Judging by the stripe of the guests at this week's special events they are right.

Most are high-rolling Republicans, the sort that can pay $6,000 for four nights at top hotels and book chauffeur-driven limousines at minimum rates of $3,000. They can be spotted in the evenings at Nancy Reagan's favourite haunt, the Jockey Club, whose chef, Mr Hidemasa Yamamoto, has ordered 5,000oz of Beluga caviar, 1,100 quail eggs, half a ton of Wild Boar sausage and 7,500lb of crab meat.

Exclusive? Well, the Bush team's buzz word for this year's inaugural is actually inclusiveness, and so far they have had soma success in embracing the commoners. The opening event on Wednesday afternoon, an outdoor concert at the Lincoln Memorial, drew 40,000 people.

Mr Bush was accompanied by his wife Barbara (now known, indelibly, as "The Silver Fox" because of her unabashed hairstyle). The soon-to-be President lit a big Olympic-style torch, the signal for thousands of people to switch on their torches and evoke the "thousand points of light," the somewhat baffling image Mr Bush uses to express the spirit of American voluntarism.

Dan Quayle (left) and George and Barbara Bush watch parachutists during the inaugural celebrations

Further gestures to the public came yesterday when Vice President-elect Dan Quayle and his wife, Marilyn, greeted seven groups of about 3,000 people at the National Museum of American History. Tomorrow the doors of the White House will be thrown open to the public.

Mr Bush has artfully fostered the impression of an open presidency by dropping into a black church just before Christmas, and then going fishing and hunting in Texas and Florida. Today, after his inaugural address, President Bush may well leave his limousine to mingle with the crowds – but he is unlikely to eschew tradition as President Jimmy Carter did in 1977 and walk all the way from Capitol Hill to the White House.

Let it be said, however, that not everyone makes it to the party. Foreigners are not invited, by tradition, and the Bicep committee has been careful to label all events official, sanctioned, and unofficial. The last category includes a protest soup-kitchen dinner for the homeless outside Union Station, site of the black-tie gala. Indeed, the homeless are just as visible as a year ago when Mr Mikhail Gorbachev, the Soviet leader, arrived in town for the Washington summit with President Reagan.

The rundown luncheonettes along Pennsylvania Avenue which so appalled President Kennedy may have disappeared, but they have been replaced by a more deadly menace: a drug epidemic that contributed to a record 372 murders last year in Washington. Even the city's black Democrat mayor, Mr Marion Berry, is under investigation for his friendship with a drug suspect, and this week is expected to be called to testify before a Grand Jury.

Inauguration week has therefore been a diversion for a troubled city. We may expect Mr Bush – with the aid of his gifted wordsmith and speech-writer, Peggy Noonan – to lift the spirits too today with his inaugural address, an institution which traditionally has given America some of its finest political rhetoric. Then, after the song, the dance and the revelry, the roads will once again be unblocked and everyone can get back to the serious matter of governance.

MYSTERIOUS COMPUTER FAILURE DELAYS PAYMENTS

Brazil rattles sabre on debt

By Ivo Dawnay in Rio de Janeiro

A MYSTERIOUS breakdown in Brazil's Central Bank computer has all but formally announced that brinkmanship is back again in the country's relations with its foreign creditors.

The alleged "operational problems" that have delayed for a week a $500m (£280m) interest repayment to the commercial banks has still to be adequately explained. But taken alongside Sunday's order for the obligatory processing of all foreign exchange operations through the Bank and a series of convoluted statements from Mr Mailson da Nóbrega, the Finance Minister, it is clear that the sabre of a new moratorium on interest payments is being quietly rattled, if not overtly waved.

Confirmation came yesterday in an interview given by President José Sarney to the business newspaper, Gazeta Mercantil. Expressing confidence in the foreign banks' readiness to help Brazil's latest anti-inflationary economic programme, the nation's best-known optimist went on to hint that a suspension of interest disbursements would take place if the country's reserves declined below an unspecified "point of equilibrium."

"I cannot let this happen," the president said. "I will remain firm on this and will defend the decision with energy."

What was left unsaid by Mr Sarney, for whom firmness has never been an overwhelming characteristic, is that Congress looks more determined still to demand its pound of flesh in return for approving the controversial austerity plan. With workers expected to take yet more pay cuts, business suffering price freezes and public spending throttled, international capital must also pay its dues towards the war on inflation.

Or so the argument goes. The more cynical might submit, however, that Congress is really asking creditors to acknowledge the *realpolitik* of the presidential elections, due in November.

But while such logic may look watertight within Brazil, it is less so abroad, where bankers and institutions would prefer to see some concrete results from the so-called Summer Plan before putting their money where President Sarney's mouth is.

Not least, the creditors are bemused by the low level of Brazil's reserves – believed to be somewhere under $5bn – after a year which has seen the country achieve a record trade surplus of over $19bn.

Explanations from the finance ministry that this is due to a substantial deficit in invisibles alongside delayed receipts of payments for contracts enjoying trade finance was described as both inadequate and "fishy" by one Washington banker yesterday.

Nor is a sudden gesture of international goodwill essentially what the Brazilian Government appears to be looking for – so easy to come by, only five months after Mr Da Nóbrega was expressing satisfaction at the conclusion of a $5. 2bn rescheduling deal.

In any case, a series of substantial legal stumbling blocks lies in the way of any rapid new release of funds.

Arguably, as Congress has only until February 15 to approve or reject the plan, creditors might choose to reciprocate Brazil's gesture politics with a month of positive but merely symbolic gestures of their own until the crucial vote is out of the way.

A computer failure, perhaps?

US confirms change in Libyan trade sanctions

THE US yesterday confirmed that it was modifying trade sanctions against Libya to allow five US oil companies to resume their Libyan operations or transfer them to foreign subsidiaries, Reuter reports from Washington.

The decision on the five oil companies was announced on the last full day of the Reagan administration, leading to speculation that the timing was intended to avoid forcing the incoming administration of President-elect Bush to make a decision that could cause embarrassment by appearing to ease sanctions on Libya. "The change will allow them to transfer operations to foreign subsidiaries or to operate their assets using third country nationals," said Mr Charles Redman, State Department spokesman.

The five companies affected are Conoco, Marathon, Amerada Hess, Occidental and W. R. Grace.

Under US sanctions imposed on Libya in 1986, these firms were issued special licences to negotiate "standstill agreements" with the Libyan Government under which they would suspend their Libyan operations without being charged with default on their contracts. The result, Mr Redman said, was that drilling continued with Libya collecting its own share plus the profits that otherwise would have gone to US companies.

"The decision . . . will eliminate the significant financial windfall which Libya has been receiving by marketing the US oil companies' equity share of oil liftings," Mr Redman said.

"This decision does not represent a change of attitude of tha US Government toward Libya. Our view remains unaltered. Libya still supports terrorism and subversion."

He said that the decision would "permit the US oil companies, subject to the restrictions on trade and travel which remain in effect, to resume their operations in Libya, transfer operations to foreign subsidiaries, or sell their assets if they so desire."

Oil companies would also be prohibited from importing goods from Libya to the US.

$ confounds currency consensus

Dearer money adds urgency to the G7 meeting, says Peter Norman

CURRENCY movements have a way of confounding the consensus views of experts.

So it has been with the US dollar. After collapsing in the wake of the November election of Mr George Bush as the next US president, it has soared upwards in time for today's inauguration ceremonies.

For the time being at least, the dollar's strength has made a mockery of many forecasters who at New Year predicted a gradual erosion of the US currency over 1989.

Instead of heading downwards towards Y110 or DM1.60, the dollar closed in London yesterday at Y129.70 and DM1.8675. Since Christmas it has risen by 3.6 per cent against the yen and 5.3 per cent against the D-mark. Yesterday's interest rate increases by the West German Bundesbank and other European central banks, together with a further bout of concerted intervention failed to produce a decisive halt to the dollar's rise.

If it continues, the dollar's strength could inject a sense of urgency into the planned meeting in Washington on February 3 of finance ministers and central bankers from the Group of Seven leading industrial countries.

When the meeting was first mooted in November, problems associated with dollar weakness were expected to dominate the discussions. As the dollar stabilised last month, talk among G7 officials switched to the desirability of a low-key meeting to enable America's major trading partners to get to know the Bush economic team, initiate the annual round of mutual surveillance of each others' economies using economic indicators, and discuss the international debt crisis.

Now, with the strong dollar pushing European interest rates higher, the talks may have to focus on the danger posed by dearer money to European growth and employment prospects after a year in which both had appeared to brighten. The strong dollar also makes a convincing correction of the serious imbalance between the $130bn annual US current account deficit and the large West German and Japanese surpluses increasingly unlikely.

The behaviour of the dollar after Wednesday's US trade figures shows that policy makers and financial markets no longer react in the same way to signs of deterioration of the current account trends. Until recently, an increase in the US trade deficit – such as the November jump to $12.5bn from $10.3bn in October would have triggered alarm among policy makers and prompted a dollar decline.

The ability of the dollar to shrug off the bad trade news, subsequent central bank intervention and yesterday's interest rate increases reflects a resurgent investor demand for US assets as well as a change in traders' views about the dollar.

In the short term, financial markets have become increasingly convinced that US short term interest rates have to head higher to curb domestic demand and imports after having already firmed substantially since mid-November. The Federal Funds rate, at which banks borrow and land reserves to each other, has risen to just over 9 per cent at present from around 8¾ per cent in mid-November and 6½ per cent in February.

Reinforcing this outlook is a belief among some analysts that the world may be short of dollars despite the huge US current account deficit. Mr Roland Leuschel, chief investment strategist of Banque Bruxelles Lambert in Brussels, argues that the Federal Reserve has had "both feet on the brake" for most of the past two years. The growth of narrow US money supply (M1) has slowed to an annual rate of 5 per cent from around 17 per cent at the beginning of 1987.

At the same time, demand for dollars has grown. World trade, which is still largely financed in dollars, grew by an estimated 9 per cent last year compared with 5.7 per cent in 1987. The US economy itself grew in nominal terms by 7.25 per cent last year after 6.8 per cent in 1987.

Also helping the dollar has been a change in perceptions of US policies and policy makers.

Mr Bush has been enjoying the honeymoon traditionally accorded to new presidents even before entering the White House. His victory in November triggered Wall Street's worst post-election performance since Harry Truman defeated Thomas Dewey in 1948. But since then, the president-elect's star has been in the ascendant.

His cabinet appointments, and particularly the nomination of Mr Richard Darman to head the Office of Management of the Budget, have impressed foreign investors and promoted confidence that he will do something about the US budget deficit – despite his election promise to raise no new taxes.

According to some political analysts in Washington, the new president may scale down sharply President Reagan's beloved Star Wars project. He may even be prepared to tolerate automatic budget sequestrations under the Gramm-Rudman-Hollings deficit reduction law in the absence of agreement with Congress on lowering the deficit.

Belief in Mr Bush's determination contrasts with the failure of recent central bank intervention to halt the dollar's rise. The relatively modest scale of intervention so far this year and the notable absence of the Bank of Japan from concerted intervention efforts have raised questions as to the credibility of central bank dollar sales.

But it is an ill wind that blows nobody any good. If nothing else, the dollar's advance has conferred new respectability on the technical analysts, who seek to forecast currency trends by reference to past developments. Such "chartists" have been predicting a dollar surge for some time and now say that if the dollar rises through the DM1.90 barrier, it could push on to around DM2.30.

THE DOLLAR AND US CREDIT POLICY

Month	Money Supply* M1	M2	Federal Funds	$/DM
January 1988	3.75	3.44	9.10	1.6785
February	3.86	4.14	6.67	1.6863
March	3.91	4.7	6.83	1.6568
April	3.41	5.05	6.98	1.6746
May	3.17	5.38	7.48	1.7290
June	4.64	5.79	8.27	1.8170
July	5.20	5.87	7.84	1.8750
August	4.82	5.68	8.14	1.8787
September	4.67	5.32	8.54	1.8730
October	3.61	4.94	8.39	1.7820
November	4.11	5.44	8.50	1.7360
December	4.89	5.69	9.04	1.7735
January 1989			9.13	1.8695

* percentage monthly change

Consumer prices rise 4.4% in US

US CONSUMER prices rose 0.3 per cent in December, the same as in November, for a full-year increase of 4.4 per cent, the Government said yesterday, Reuter reports from Washington.

The 1988 rise in the Labour Department's Consumer Price Index, the most widely used measure of inflation, matched the 1987 increase but was up sharply from the 1986 figure of 1.1 per cent.

The 0.1 per cent rise in transportation costs was mainly the result of a 1.6 per cent drop in gasoline prices in December, which were down 1.8 per cent from a year ago, the department said.

For the year, the CPI excluding energy rose 4.7 per cent compared with a 4.1 per cent increase in 1987.

Food prices, which reflected the summer drought, rose 5.2 per cent last year, the biggest increase in eight years.

● US housing construction fell 2.2 per cent in December, ending 1988 on a flat note after three consecutive monthly increases, the Government said yesterday.

The Commerce Department said the weakness in December helped drag down housing construction for the entire year to 1.49m units, the poorest showing for the housing industry since the 1.06m units built in the recession year of 1982.

Construction in 1988 was off 8.2 per cent from the previous year's level of 1.62m units, but a housing industry official said it still was "a pretty good year".

December's seasonally adjusted annual rate of 1.52m units was down from 1.56m units a month earlier.

Salvador summit 'set for February'

NICARAGUA said yesterday that five Central American presidents had agreed to hold a much-delayed summit on February 8-9 in San Salvador to try to revive a regional peace plan, Reuter reports from Managua.

The official daily Barricada said that President Daniel Ortega had spoken to the presidents of Costa Rica and Guatemala on Wednesday and they had agreed to the date.

The summit, already put off several times, was due to be held last week but Mr Oscar Arias, Costa Rica's president, asked for a postponement, partly to allow Mr George Bush, US president-elect, time to work out policies towards Central America.

Colombian investigators murdered

TWO JUDGES and 10 other judicial employees investigating a massacre in the Magdalena region in central Colombia were murdered on Wednesday, Sarita Kendall writes from Bogota.

Although the military commander in the area attributed the killing to the Soviet-line FARC guerrilla group, others said paramilitary gunmen could have been responsible.

Three badly-injured survivors, who pretended to be dead, described how armed men stopped the judicial commission on a lonely road and offered to help in their investigation. The commission's members were tied up and driven further along the road, then hauled out of their vehicles and shot.

The Magdalena is one of the most violent regions of Colombia. Over the last year there have been at least 13 massacres and dozens of other murders. The victims were mainly peasants, left-wing political leaders, trades unionists and beggars.

Reagan rules out pardon for North

PRESIDENT Ronald Reagan yesterday ruled out last-minute pardons for Mr Oliver North and Mr John Poindexter, who face criminal charges over their roles in the Iran-Contra scandal, Lionel Barber reports from Washington.

On his last full day in office, Mr Reagan defended his two former senior aides, but said that a pardon before the impending trial would be inappropriate.

"There have been implications [of] personal gains and so forth," Mr Reagan said, referring to financial aspects of the covert operation that sparked his worst crisis. "A pardon now before a trial would leave them forever after with that guilt hanging over them," he said in an interview with news agencies.

Earlier this month, a federal judge dismissed the most serious criminal charges against Mr North at the request of the special prosecutor, who said he could not proceed because the Government had refused to hand over key documents on national security grounds.

However, Mr North and three other co-defendants, including Mr Poindexter, face several other charges stemming from the secret sale of US weapons to Iran and the diversion of profits to Nicaragua's Contra rebels.

WORLD TRADE NEWS

Breaking the Japanese stranglehold

Peter Ungphakorn and Peter Montagnon on GEC's Thai contract

THE State Railway of Thailand chose to sign yesterday's signalling contract with GEC-General Signals at precisely 11.19am because this was the most auspicious hour appointed by its astrologers.

For Thailand's Western trading partners, however, the deal holds out omens of a different kind. It marks one of the few recorded occasions to date in which e major contract anywhere in the developing world that is financed with Japanese aid money has been won by a concern from another industrial country.

Japan has made much of the way in which its burgeoning overseas aid budget has been increasingly separated from its own export efforts, but many industrial companies still complain that this is a shallow boast. Japan's aid is untied only in name, they say, and the richest pickings still seem to find their way inexorably into Japanese hands.

GEC's success in breaking this pattern is all the more remarkable in that one of its main competitors for the contract was the Japanese company Mitsui. It shows for once that the stranglehold of Japanese companies on this kind of business can be broken.

According to Mr Sumu Iwamoto, Bangkok representative of Japan's Overseas Economic Co-operatioo Fund (OECF) which administers the country's developmeot aid, there was nothing unusual in the way in which the bidding for the signals contract was organised. "The tendsrs wsre received under normal procedures for untied procurement, meaning that firms from all members of the OECD were free to submit tenders," he said.

Under the OECF system, the Thai aothorities selected the railway signalling contract to be funded out of the regular flows of aid money that Thailand receives from Japan. Once the OECF had approved this decision, it was the State Railway which organised the tenders. At the end of this process, GEC-General Signals emerged as favourite because it was the lowest bidder whose offer also complied with technical specifications.

Many would-be exporters from outside Japan have complained in the past that OECF's seemingly fair system militates against non-Japanese involvemeot. There is a stipulation that Japanese consultants had to take the lead in establishing technical specifications for projects funded with untied aid money. This allowed the specifications to be tilted in favour of Japanese hidders, they argued.

Until recently, non-Japanese consultants were only allowed to tender for work oo OECF projects provided they first formed a co-operative association with a Japanese counterpart. This was difficult since soch co-operative ventures were hard to form with the very limited number of consultants active in Japan.

> Officials say new rules are being implemented to allow non-Japanese consultants to tender directly for untied projects funded by Japan's Overseas Economic Co-operation Fund

Japanese officials said yesterday that new rules were now being implemented to allow non-Japanese consultants to teoder directly for untied projects funded by OECF, but this change – which has been gradnally introduced over the past year – was oot a factor in the GEC-General Signals deal. The consultant on this project was Japanese and the British company's success seems mainly due to price.

GEC may well have been helped by the fact that some earlier signalling work on Thailand's railway system had been carried out by the British arm of the US Westinghouse concern. This meant there was a strong technical argument for spscifying compatible systems.

But it seems likely that Mitsui, whose bid also complied with the project's technical specifications, was caught out on price because it had had difficulty adjusting to the rise of the Yen. Its initial offer of Baht 4.29bn was way in excess of GEC's bid of Baht 2.53bn which was whittled down in subsequent negotiation to Baht 1.7bn. A third hidder, the WABCO unit of Westinghouse, was disqualified for technical non-compliance.

Even so this is the largest contract ever won by the UK in Thailand, a country whose trade and foreign investment is increasingly dominated by Japanese business interests.

Mr Michael Boden, managing director of GEC-General Signals, said the contract was important to GEC because it could be a good basis for further work with the State Railway of Thailand. "This and other contracts we are hopeful of securing in the country, means we can continpe to expand sales, profits and employment and those of our sub-contractors," he said.

For other exporters, particularly those like GEC with a clear technological edge in their respective fields, the lesson seems to be that it is after all possible to climb aboard the Japanese aid bandwagon – provided they come in with a competitive bid and that the rules of the game are scrupulously respected.

Poland seeks partner for refinery venture

By Chris Bobinski in Warsaw

POLAND is looking to western oil companies and other oil producers outside Comecon to establish a joint venture aimed at expanding refining capacity needed for a planned increase in oil imports from this year's 15.3m tonnes to 25m tonnes a year in the 1990s.

The plan for a joint venture along these lines was put to Mr Mir Hussein Mousavi, the Iranian Prime Minister during his visit to Poland this week but he declined to say whether Iran was interested.

Iran has agreed to supply Poland with 1m tonnes of oil this year which with 1.3m tonnes to be imported from Iraq fulfils Poland's non-Soviet oil import plan.

Poland's oil imports this year are set at 15.3m tonnes, with the Soviet Union supplying the lion's share of 12.7m tonnes. Poland's refining capacity is around 17m tonnes.

The 1980s have seen Poland importing around 14m tonnes of oil a year compared to the 16.6m tonnes imported in 1978. The Poles are considering the Gdansk refinery as one possible site for the development as well as the Blachownia refinery in the south. Hard currency costs are put at $300m with local costs of Zl 300bo (£328m).

US-Soviet trade 'could quadruple'

TRADE between ths US and the Soviet Union could quadruple if Washington dropped its restrictions, Mr Yuri Chumakov, the Soviet Minister for Foreign Economic Relations, said yesterday, Reuter reports from the United Nations.

At the end of two days of meetings between Soviet officials and about 40 American business representatives, Mr Chumakov said the US was one of the "very few countries" that denied the Soviet Union most favoured nation treatment.

If that situation changed, "I believe on the whole the trade turnover between the Soviet Union and the United States could easily be increased by three or four times," he said. The Soviet minister did not cite figures for current trade, but US Commerce Department figures for 1987 show US exports to the Soviet Union were $1.5bn, with imports from Soviet Union at $470m.

Addressing Washington, Mr Chumakov said, "You refuse to provide credit to cover exports while the Western European countries provide so much credit that we cannot fully use it. So we have to refuse half of the credit provided for us."

Almost all of the Western European nations had accorded the Soviet Union most favoured nation trade status, yet "we are almost unable to buy equipment in this country," he said. Mr Chumakov said US companies felt inhibited about trading with Moscow even when items involved were within the law.

Mr Benjamin Weiner, an American organiser of the conference, said in the 1970s US trade with the USSR had been expected to reach $5bn a year, but political differences had prevented it. The conference, which UN officials said, was held under UN auspices although no deliberative body had approved that designation, made "a giant step forward" in improving Soviet-US economic relations, Mr Weiner said.

Norway close to gas deal with Sweden

By Karen Fossli in Oslo

NORWAY is close to securing e deal which would double its exports of natural gas to Sweden to between 2.5 and 3bn cubic metres a year from the middle of the 1990s.

The deal is expected to be signed later in the year. It follows more than a year of talks with Sweden.

Mr Thorvald Stoltenberg, Norway's Foreign Minister, during a visit to Stockholm on Wednesday discussed plans that the two countries jointly finance a pipeline between Norway'e North Sea gasfields and Sweden. Three options for the route are under study.

Sweden is interested in buying gas to help achieve its aim of phasing out nuclear energy by 2010. The Social Democratic government in Stockholm wants to close two of the 12 nuclear plants by 1996 and gas will be needed to supplement the country's energy needs.

A pipeline deal with Sweden would also enable eastern Norway to be supplied with gas. That project alone would be uneconomic because the costs of transporting the gas would outweigh sales.

Norway, whose indigenous gas reserves at 3,000bn cu m comprise nearly half of western Europe's total, is seeking to increase its exports to the Nordic region.

The Soviet Union, which competes with Norway in supplying natural gas to western Europe, last year signed two separate letters of intent with Sweden to supply about 3bn cu m annually from the mid-1990s. Norway exports more than 25bn cu m of gas to western Europe annually.

N Korea says it is ready for ventures with South

COMMUNIST North Korea has expressed willingness to start trade and joint veoture projects with its capitalist rival, South Korea, it was announced yesterday, AP-DJ reports from Seoul.

The Ministry of Trade and Industry of South Korea said North Korea made its intentions known when one of its trade officials met a South Korean businessman in Tokyo last month.

The announcement said that Mr Lee Kang-sae, a vice president of Sunkyong, a leading Seoul trading company, had hsld business talks with s senior North Korean trade official at a Tokyo hotei oo December 30. The talks had been approved by the South Korean government.

South Korean ministry officials said they know who the North Korean official is but they are committed not to identify him.

During the talks, the North Korean official told Mr Lee that the Pyoogyang governmeot intended to render active support for any joint venture projects between business companies of the two sides, the announcement said.

The two sides discussed wide-ranging measures to promote trade especially in the areas of textiles and mining prodncts, while the North Korean side was more enthus iastic aboot starting joint venture projects.

British Aerospace reports record aircraft orders

By Michael Donne, Aerospace Correspondent

BRITISH AEROSPACE last year secured a record 137 aircraft orders worth $1.5bn.

They included 40 of the Type 146 four-engined regional jet airliners, 16 twin-eogined Advanced Turbo-props (ATPs), 38 twin turbo-prop Jetstream airlioers, 41 Type 125 twin-engined business jets and two Super 748 twin-engined turho-prop airliners. Most orders were for export markets.

Dr Maorice Dixsoo, managing director of British Aeroepace (Commercial Aircraft), the company set up to take over BAe's civil aircraft activities, said the results were achieved despite competitive prohlems posed by the weak dollar and rising interest rates.

"Behind the scenes we have been taking dramatic action to attack our own cost base and i predict that we will be even more competitive in 1989, he added."

British Aerospace (Commercial Aircraft) has been created from the former commercial aircraft division of the parent BAe group. It has three divisions of its own: Airbus, bnilding wings for all the Eoropean Airhuses; Airlines, building the 146, the ATP, 748 and the Jetstream; and Corporate Aircraft, building the 125 executive jet.

Computers 'give W Germans competitive edge'

By Alan Cane

WEST GERMAN companies have the advantage over their British, Freoch and Italian competitors in using information technology (IT) for competitive advantage, a European study shows.

The study, sponsored by the Amdahl Executive Institute, indicates that West German managers are better equipped to use IT than their British, French or Italian contemporaries. They have a stronger awareness of the importance of computer-based systems and have greater confidence in their ability to use it.

Top managers in West German companies readily understand the value of IT as an esseotial tool for business success and are already using it to improve productivity, efficiency and quality control.

The French, by comparison, are enthusiastic but their approach is seriously flawed, ths Italians are anxious to learn but well behind in systems development, while the British are handicapped with the weakest management culture for success in IT.

These cooclusions come from a major study of IT and corporate culture carried out by independent consultants in each of the four countries and co-ordinated in London by Roger Tomalin & Company. The study, based on over 600 questionnaires and follow-up interviews, was sponsored by the Amdahl Executive Institute, a research organisation funded by the US mainframe computer vendor.

Effective use of information technology is now recognised as a key factor in competition and the differences in capability across Europe are becoming more significant with the approach of the unified European market in 1992.

The study shows West German companies have great confidence in their ability to get the best out of IT. Some 84 per cent of West German managers said they were confident their companies would get as much benefit as they should from future investment in IT compared with 62 per cent of Italian, 56 per cent of French and only 39 per cent of their British equivalents.

French companies are optimistic about their use of IT but are aware of a serious problem: their IT initiatives tend to he led by technologists, and top management is unwilling to get involved. Mr Roger Tomalin argues that managers rather than technologists should identify the business uses of IT and that close collaboration between technologists and business managers is essential for success.

The reason for the French situatioo seems to be that, unlike the UK, a technologist there can achieve high status within the company while remaining in the technical area. Few technologists in Britain make the jump to the board.

British top management is still reluctant to embrace IT, according to the survey. While there are isolated examples of excellence, British managers continue to have a poor understanding of the potential of IT; this leads to frustration among the company's computing specialists who lack confidence in decisions made by their business managers over IT.

Clues to success: Information Technology Strategies for Tomorrow, Amdahl Executive Institute, Dogmersfield Park, Hartley Wintney, Hampshire, RG27 8TE. Tel: 0252 346346

Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the directors for the quarter ended December 31 1988

WESTERN DEEP LEVELS

Western Deep Levels Limited

Registration No. 57/02349/06

ISSUED CAPITAL: 27 194 115 ordinary shares of R2 each and 145 495 (previously 144 883) B ordinary shares of R2 each

	Quarter ended Dec. 1988	Quarter ended Sept. 1988	Year ended Dec. 1988
OPERATING RESULTS			
Gold			
Area mined—m²000	221	240	911
Tons milled 000—reef	1 046	1 136	4 321
—waste	581	534	2 258
—total	1 628	1 670	6 579
Yield—g/t—reef	8.81	8.60	8.41
—waste	1.38	1.20	1.28
—average	6.16	6.16	5.96
Production—kg	10 021	10 291	39 223
Cost—R/m² mined	822.90	736.62	754.68
—R/ton milled	111.64	105.88	104.83
—R/kg produced	18 148	17 179	17 533
PRICE RECEIVED ON SALES			
Gold—R/kg	32 006	33 534	31 986
—$/oz	413	432	437
FINANCIAL RESULTS	R million	R million	R million
Turnover	324.7	347.2	1 260.6
Gold—revenue	324.4	346.0	1 257.7
—costs	181.9	170.7	687.7
—profit	142.6	169.3	570.0
Uranium oxide profit	0.3	0.4	0.7
Net sundry income	6.8	7.1	20.5
Profit before taxation	149.6	170.8	591.2
Provision for taxation	32.2	73.0	182.3
Profit after taxation	117.4	103.8	408.0
Appropriation for capital expenditure	82.1	59.0	256.2
Profit available	35.3	44.8	150.7
Dividend—interim			71.1
—final			79.3
Retained profit for the year			0.3
Earnings per share—cents	129	164	551
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

ERGO

East Rand Gold and Uranium Company Limited

[illegible]

S.A. LAND

The South African Land & Exploration Company Limited

[illegible]

S.A. LAND—*continued*

[illegible]

ELANDSRAND

Elandsrand Gold Mining Company Limited

[illegible]

VAAL REEFS

Vaal Reefs Exploration and Mining Company Limited

[illegible]

VAAL REEFS—*continued*

[illegible]

Profit before taxation	340.9	293.4	1 104.0
Provision for taxation	124.6	137.7	436.5
Profit after taxation	216.3	158.7	667.5
Appropriation for capital expenditure	88.8	70.3	303.0
Profit available	128.5	88.4	364.5
Deduct			
Dividend—interim	—	—	152.2
—final	—	—	209.3

SOUTHVAAL HOLDINGS LIMITED

Registration No. 68/11806/06

THE AFRIKANDER LEASE LIMITED

Registration No. 01/06955/06

The attention of shareholders of these companies is directed to the report of Vaal Reefs Exploration and Mining Company Limited. The Free State Consolidated Gold Mines Limited quarterly results appear on another page in this newspaper.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTES

1. ORE RESERVES

At September 30 1988 ore reserves were estimated at a pay limit based on a gold price of R33 000 (September 30 1987: R29 000) a kilogram. Also shown at that date are ore reserve tonnages estimated at pay limits based on gold prices of R30 000 and R36 000 a kilogram to indicate the sensitivity of the ore reserves to the gold price variations.

2. DEVELOPMENT

Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

FT LAW REPORTS

Investment company to be wound up

RE WALTER L JACOB AND CO LTD

Court of Appeal (Lord Justice Fox, Lord Justice Ralph Gibson and Lord Justice Nicholls): December 21 1988

WHERE PUBLIC interest is the basis of a petition for compulsory winding up of an investment company, the court should not make a winding up order unless satisfied that public interest so requires; and where the company has misled members of the public into buying shares of dubious value and restricted marketability, it is in the public interest that it should be wound up, though it ceased trading immediately before the petition was issued and presents no future risk to the public.

The Court of Appeal so held when allowing an appeal by the Secretary of State for Trade and Industry from Mr Justice Harman's dismissal of his petition for an order for the compulsory winding up of Walter L Jacob and Co Ltd.

LORD JUSTICE NICHOLLS said that until April 1987 the company carried on business as a dealer in securities and as an investment adviser. It had authority to deal in securities by virtue of its membership of the Financial Intermediaries Managers and Brokers Regulatory Association (Fimbra).

Early in January 1987 Fimbra sent complaints about the conduct of the company to the Department of Trade and Industry. The Secretary of State authorised an examination of the company's books and papers. He formed the view thet it was expedient in the public interest that the company should be wound up.

On April 15 1987 he presented a winding up petition under section 440 of the Companies Act 1985 read with section 124(4) of the Insolvency Act 1986. The Official Receiver was appointed as provisional liquidator. A special manager of the company was also appointed.

The petition asserted that the company's financial records had been inadequately maintained; that in breach of its fiduciary duties to clients, the company, while giving the impression it was an adviser, had been encouraging clients to purchase shares in three American companies where the company itself was the vendor and was making large undisclosed profits; in recommending share purchases it acted irresponsibly and in a manner unbefitting a securities' dealer; when advising clients to purchase certain shares, it failed to reveal that shares could not be traded on the US Nasdaq market.

At the hearing the judge stressed three points.

First, the company had ceased to deal in securities before the petition was issued. The judge said "the public interest in protecting members of the public from unscrupulous dealers was not, at the date of presentation, a live public interest." Second, there was no allegation of insolvency. Third, save for one exception, there was no allegation that any member of the public had not been paid for shares sold by him to the company, or had not been sent share certificates.

The judge concluded that the allegations in the petition were not made out by the evidence so as to justify compulsory winding up.

He said: "I have to be satisfied that it is in the public interest that that be done, and for that purpose . . . a fairly heavy onus must lie on the Secretary of State to show that matters . . . warrant . . . liquidation. In a case . . . where there is no risk to the public . . . the test is the heavier". He dismissed the petition.

On the present appeal Mr Heslop for the Secretary of State contended that the judge erred in thinking he had to be satisfied that winding up was in the public interest.

Section 440 of the 1985 Act provided that if it appeared expedient to the Secretary of State that a company should be wound up in the public interest, he might petition for it to be wound up "if the court thinks it just and equitable for it to be so".

The court's task, in public interest petitions, was to carry out a balancing exercise having regard to all the circumstances disclosed by the evidence. It had to weigh the factors which pointed to the conclusion that it would be just and equitable to wind up the company against those which pointed to the opposite conclusion. The cogency of the submissions made on behalf of the Secretary of State would be considered and tested in the same way as other submissions.

It followed that Mr Justice Harman did not misdirect himself when he proceeded on the basis that, before making a winding up order, he had to be satisfied that a winding up order was in the public interest. If he was not satisfied, he could not be of the view that it was just and equitable.

However, the judge was not right to take such a lenient view of the company's conduct.

Even in the case of a company which stopped trading immediately before presentation of the petition, the petitioner's allegations were serious as against a dealer in securities.

Although the company bought or sold shares as a principal, the evidence showed that documents were sent out in the format of investment advice given by an independent adviser. And it showed that they had been led to expect.

Also, in at least one respect of direct concern to investors, the company's accounting records were seriously deficient. One of the company's terms of business was that investments bought by clients would be registered in the name of the company's wholly owned subsidiary which would retain custody of the share certificate. The evidence showed that some shares were registered in the company's name, not that of the subsidiary, and that there was no record showing to which clients the shares in those certificates belonged.

Where an investor paid for shares the certificates for which were retained by the dealer in his own name or in the name of a nominee, it was of the utmost importance that the dealer should at all times maintain records showing clearly to whom the shares in any particular block certificate belonged.

Further, at the hearing the Official Receiver as provisional liquidator was represented by counsel who was armed with reports prepared by the special manager. After the evidence for both sides had been read, counsel for the petitioner asked the judge to hear the Official Receiver. The judge declined, taking the view that the Secretary of State was seeking to boost his case by introducing new evidence.

The judge erred in so ruling. There was no basis on which, in the exercise of his discretion, he could properly have refused to see the reports.

No doubt the contents of a report made by an official receiver acting as provisional liquidator might assist one or other of the parties to a winding up petition. Far from that being a reason for not receiving the reports, it was a reason why the court should admit them, particularly in a case where the foundation of the petition was that it was in the public interest that the company should be wound up.

The judge's exercise of his discretion could not stand. It was for the present court to exercise its own discretion. It must do so in the light of circumstances as they were now, because 17 months had elapsed since dismissal of the petition.

There was no doubt that the method by which the company sought to persuade members of the public to purchase shares was unacceptable.

Its documents were seriously misleading in that they surrounded its recommendations to buy with an aura of independent advice, whereas they should have been seen as and presented as a salesman's eulogy of the product he was trying to sell. Its reports were misleading in not disclosing that the shares were subject to restriction. Also, the accounting records generally were not kept in a fit state for a company carrying on business as a licensed dealer in securities.

Having regard to all those matters there was no doubt that if the company had still been dealing in securities it would have been just and equitable that it should be wound up. Did the fact that the company ceased to carry on that business immediately before the petition was presented make a crucial difference.

It did not. The investing public was no longer at risk from future activities. The company was no longer a member of Fimbra. Bnt it would offend ordinary notions of what was just and equitable if, by ceasing to trade on becoming aware that the net was closing around it, a company which had misconducted itself on the securities market could thereby enable itself to remain in being despite its previous history. The court would not hesitate to wind up companies whose standards of dealing with the investing public were unacceptable.

It would not be acceptable to leave in being a company which raised substantial sums of money on misleading documentation and then ceased trading so that hundreds of investors were left with shares of questionabla value which, on the evidence, were still subject to restrictions affecting their transferability or marketability. It was in the public interest that such a company should be wound up.

The appeal was allowed.

Lord Justice Ralph Gibson and Lord Justice Fox agreed.

For the Secretary of State: Philip Heslop QC and Terence Mowschenson (Treasury Solicitor)

For the company: Duncan Matheson (Russell Jones & Walker)

Rachel Davies

Barrister

UK NEWS

Fraser lawyer warns court of 'breakdown of trust'

By Raymond Hughes, Law Courts Correspondent

THE COURT of Appeal was warned yesterday of the constitutional importance of the High Court's decision to order Lord Young, the Trade and Industry Secretary, to refer the acquisition of the House of Fraser stores group by the Al Fayed brothers to the Monopolies and Mergers Commission (MMC).

Mr David Oliver, QC, for House of Fraser said: "This decision, if allowed to stand in its present form, is going to represent a major landmark in the breakdown of trust between the courts and ministers of the Crown."

Lord Justice Mustill commented: "That may be too bad." When laughter greeted his remark, the judge went on: "I don't mean it facetiously. If it is the duty of the court to give relief it does not matter *how much it annoys the minister*, because that is what we are obliged to do."

The exchange came as Mr Oliver argued in support of Lord Young's appeal against the High Court's orders on Tuesday when Lord Young was ordered to refer the acquisition and re-consider his decision not to publish his inspectors' report into it until the Serious Fraud Office had decided whether the report shows grounds for prosecution.

The orders were made in judicial review proceedings in which Lonrho, the international conglomerate, challenged the legality of Lord Young's decisions.

Sir Gordon Borrie: relevant recommendations

The appeal court will give its decision today but may defer giving a full judgment until Monday.

A formula has been devised by the judges, which appears to be acceptable to all the parties, to avoid the need for a rushed final appeal to the Law Lords tomorrow before the deadline for a monopolies reference on Sunday.

The effect of the proposal is that, whatever the appeal court decides, Lord Young will be required to make a *conditional* reference to the MMC but if he wins in the Lords the reference will be void.

Mr Oliver said that the making of an order of "mandamus" requiring a minister to take a positive, specific step was a rarity.

By ordering Lord Young to refer, rather than merely saying that he must re-think his non-referral decision, the High Court had arrogated to itself a power that was vested by law in the Secretary of State alone.

The court appeared to have been so inflamed that Lord Young had disclosed no reasons for his decision that it had decided to hi-jack his discretion whether or not to refer and exercise it itself, Mr Oliver said.

The court was even more crippled than usual in taking over the discretion because it knew perfectly well that the discretion had to be exercised by reference to factors of which the court was necessarily ignorant, Mr Oliver said.

The court had not seen the *material on which Lord Young* had based his decision: the DTI inspectors' report and the recommendations of Sir Gordon Borrie, the Director General of Fair Trading.

The only suggestion the High Court could be making in its ruling, that Lord Young had acted unreasonably, was that he had got the balance between all the relevant considerations plainly wrong and that "no sane Secretary of State could have reached the decision he did."

The court had concluded that Lord Young's decision "suffers from perversity of the highest order," Mr Oliver said.

Midlands newspaper group to expand

By Richard Tomkins, Midlands Correspondent

MR RALPH INGERSOLL, the US newspaper owner who entered the European market a year ago when he bought the Birmingham Post and Mail series of newspapers in the West Midlands, yesterday disclosed plans for a significant expansion of the titles.

His UK company, Ingersoll Publications Ltd, is to spend £30m over the next three years on a number of projects that will include the construction of a printing plant for the Birmingham papers and re-equipping the Coventry Evening Telegraph plant.

Integrated Newspaper Systems, the Kansas-based joint venture between IBM and Ingersoll Publications Company, *Mr Ingersoll's US arm*, will set up its first European base in Coventry and install a computer system for the Birmingham papers.

Mr Ingersoll said the Birmingham Post, a daily morning tabloid, would be taken up-market as a business newspaper to challenge the Financial Times in the Midlands business community.

The Evening Mail had "correctable editorial problems" that were being tackled with a view to taking its circulation well above 300,000 and he was ambitious for the Sunday Mercury, which he saw developing into a US-style Sunday using sectionalisation and colour.

Other moves would include spinning off the group's weekly newspapers into a separate company to allow them and the dailies to focus more clearly on their separate target audiences. The Post and Mail series will also have an editor-in-chief, yet to be named.

Jobs were unlikely to be lost in the next phase of development, he said. "This investment demonstrates not only our belief in the West Midlands as an expanding and dynamic marketplace but also in the future of our newspapers."

Manufacturing output rising by 7%

By Simon Holberton, Economics Staff

THE OUTPUT of British manufacturing industry continued to remain robust in November, rising at an underlying annual rate of about 7 per cent, according to official figures released yesterday.

The Central Statistical Office's (CSO) provisional monthly index of manufacturing production showed a slight fall in November, although it was 1½ per cent higher in the three months to November and 7 per cent up on the same period a year earlier.

However, there are signs that the rapid growth in output recorded in the summer months last year may have moderated. Since August, the CSO index of manufacturing output has fluctuated within a narrow range.

The CSO cautioned that the figures for October and November were subject to revision. It added that, on past performance, revisions were usually upwards and it had no reason to alter its assessment of a growth trend in output of around 7 per cent.

The CSO's index of production industries was ¼ per cent higher in the three months to November compared with the previous three months and 3¼ per cent higher than the same period a year earlier.

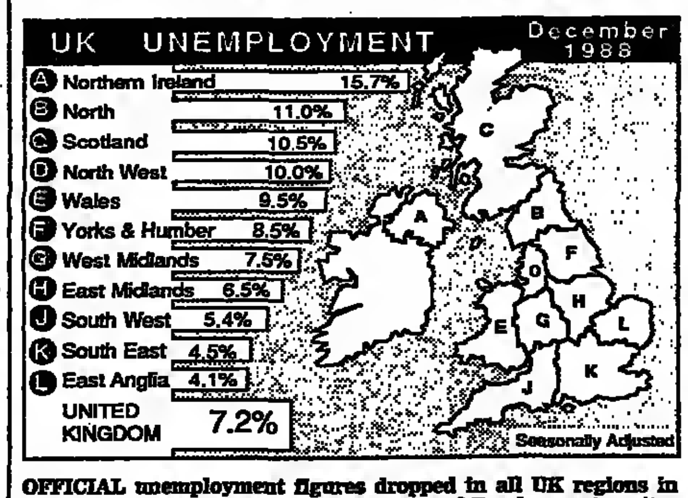
Slower growth in all production industries reflected wholly the effects of the Piper Alpha oil platform disaster in the North Sea last July, the CSO said. Adjusting the index for lost oil production, it would have shown a 5 per cent year-on-year growth.

Production of oil and gas was 4.5 per cent lower in the latest three months compared with the previous three months and 14 per cent lower compared with the September to November period of 1987.

Within manufacturing, production in the mechanical engineering, electrical and instrument engineering and paper, printing and publishing sectors was well up on levels of a year ago. There were smaller gains in the chemicals and motor and parts industries.

The textile, clothing and footwear industries, however, appeared to be feeling the effects of foreign competition because of the strength of sterling. Output in the three months to November was more than 2 per cent lower in textiles and 0.5 per cent lower for clothing and footwear, compared with a year earlier.

The CSO's index of manufacturing production in November was 116.4 (1985 = 100) compared with 116.5 in October. Its index of production industries in November was 111.0 (1985 = 100), compared with 111.1 in October.



OFFICIAL unemployment figures dropped in all UK regions in December, according to the Department of Employment, writes Ralph Atkins.

UK unemployment fell by 66,100 last month to 2.04m or 7.2 per cent of the workforce. That compares with an unemployment rate of 7.5 per cent in November. Mr Norman Fowler, Employment Secretary, yesterday said that the rate had fallen by 1.9 percentage points in the last year.

He said: "All regions of the country are sharing in this fall with the largest falls in unemployment rates being in the West Midlands, down 2.5 percentage points, followed by the north-west, down 2.2 percentage points, and Wales, down 2.1 percentage points."

In December, the biggest falls were in the West Midlands, Yorkshire and Humberside, the north-west and Wales. All three saw falls of 0.3 percentage points. The lowest unemployment rate was in East Anglia at 4.1 per cent, followed by the south-east at 4.5 per cent. At the other extreme, unemployment in Northern Ireland was 15.7 per cent.

Figures for jobless 'exaggerate fall'

By Ralph Atkins, Economics Staff

GOVERNMENT figures for unemployment have vastly exaggerated the fall since 1986 and have become a poor indicator of the number out of work, according to a report published yesterday.

The steep drop in unemployment between June 1986 and June 1988 shown in the official benefit claimant count is "illusory," says Dr John MacInnes of Glasgow University.

His report says that the fall of nearly 900,000 in the period could not have occured because of any real fall in unemployment.

Dr MacInnes has calculated a measure of "implied unemployment" by subtracting the number of those in work or work-related government training schemes from the number of those in the labour force as a whole.

This measure shows that the real fall in unemployment between 1986 and 1988 was just more than 100,000 and this was because government training schemes expanded by the same amount.

He estimates that the actual level of unemployment was 3.5m in June 1988, compared to the official total of 2.3m.

Unemployment in the north is thought to have continued to rise between 1986 and 1988, particularly in Scotland, while it fell in the south.

The paper says that the fall shown in official figures "simply cannot be squared with other informotion which is available on trends in the labour market."

It adds: "The fall in the claimant count figures can only have occured because of the range of measures which the Government has introduced which have made it more difficult to claim benefit and be counted as unemployed."

Regional trends in employment and unemployment in Britain 1986-88. Centre for Urban and Regional Research, Adam Smith Building, University of Glasgow, Glasgow G12 8RT. £2.

Broker again refused full authorisation

By Norma Cohen

BURGON HALL, the commodities and futures broker formerly known as LHW Futures, yesterday failed in its second attempt to become a fully authorised firm operating in the UK.

The Association of Futures Brokers and Dealers, the self-regulatory body for commodities under the Financial Services Act, rejected the application, saying the firm still does not meet its standards as fit and proper. AFBD rules require firms and individuals to meet standards of character, training, experience and financial resources.

Burgon Hall is allowed to continue operating with its existing interim authorisation, pending an appeal.

Mr Clive Thornton, newly-appointed chairman of Burgon Hall, said the firm was considering appealing. If it does not, it will have to cease operating.

Mr Thornton was appointed in a radical management shake-up aimed at obtaining full authorisation.

The original partners of LHW, Mr John Hughes and Mr Jeremy Walsh, gave up their shares in the new company. Both were associated with hard-sell tactics and the imposition of high commission charges.

SIB may relax its rule on commissions

By Eric Short

LIFE INSURANCE companies should soon be able to pay independent financial advisers more than the current maximum commission scale without those advisers having to reveal fully the amount of the commission payment.

Details of such possible relaxation in the strict rules governing commission payments were given yesterday by Mr David Walker, chairman of the Securities and Investments Board (SIB), the watchdog body for the financial services industry, speaking in London at the Life Insurance Association's meeting of industry leaders.

The maximum commission agreement is due to be abolished at the end of this year. However, until then, any independent adviser who is paid above the scale in the agreement has to disclose to his client at the time of the sale the full amount of commission received from selling a specific contract. This is known as harsh disclosure.

In its recently-issued disclosure proposals, SIB envisages that once the agreement has ended, individuals being sold contracts by independent advisers would be told by the life company concerned the rate of commission received by the adviser within 14 days of the sale.

Independent advisers and life companies are both calling for an earlier end to the agreement, so that advisers can be paid higher commission and thus staunch the flow of advisers switching to becoming company representatives, who encounter neither curbs on commission payments nor an obligation to disclose.

Mr Walker said that he doubted whether it would be right to bring forward the complete demise of the agreement. Such action, he felt, would be unfair and capricious towards those life companies that still wished to abide by it.

However, he considered that the most attractive compromise would be to retain the agreement, while bringing in the modified disclosure requirement, hopefully before the middle of the year.

Thus Mr Walker would appear to have turned down the demand of the Consumers' Association that advisers should be required to make full commission disclosure at the time of sale.

He also confirmed SIB's stance that it would be both unfair and impractical to make advisers representing just one company reveal their pay.

Kentish Times series sold for £18.5m

By Raymond Snoddy

THE YELLOW Advertiser Group, owned by Mr Ian Fletcher, yesterday acquired the Kentish Times group of newspapers for £18.5m.

The deal makes the Yellow Advertiser, which now has 57 titles in London and the south-east, the largest independent publisher of free newspapers and second overall only to Reed International.

"This transaction further consolidates our position as leading local newspaper publisher in the M25/Greater London area," said Mr Fletcher.

The private company had a turnover of £38.7m and pre-tax profits of £5.04m in the year to June 1988. The Kentish Times series, 11 paid-for weeklies and four frees in the Bromley, Dartford, Bexley and Gravesend areas, had projected revenues of £9.3m with pre-tax profits of £2.5m for the year to December 1988.

The Kentish Times and Gravesend newspapers were sold to their management for £3.3m in 1987 by Westminster Press, part of Pearson, the publishing and industrial group.

Rise in earnings eases to 8¾%

By Simon Holberton, Economics Staff

WAGE PRESSURES in Britain appeared to abate in November, official figures released yesterday indicated. However, analysts warned that the figures did not reflect current pay pressure in the economy.

The Department of Employment said that underlying average earnings for the whole economy were 8¾ per cent higher in the year to November, down from a 9 per cent rise in the year to October.

It added that the fall was because of a lower rise in pay for teachers and local authority manual workers compared to a year earlier. This had produced a lower growth rate for earnings in the services sector of the economy. This in turn had depressed the measure for the whole economy.

However, underlying earnings in manufacturing rose. In November manufacturing earnings were 8¾ per cent above the same period a year ago, up from 8½ per cent for the year to October.

Analysts in the City expect pressure on pay to be firmly upwards from now until April. This is a period in which many of the major industry pay deals are struck.

Mr Nigel Richardson, of Warburg Securities, said that the current round of pay negotiations suggested that settlements of around 7 per cent were becoming the norm. This compares to 6 per cent a year ago.

The continued strength of productivity growth, however, mitigated concerns over rising wages. This has meant that rises in unit wage and salary costs have been small.

Output per head in manufacturing was 7.7 per cent higher in the three months to the end of November compared to the same period a year earlier.

Unit costs in manufacturing were 0.5 per cent higher in the three months to the end of November compared to a year ago, slightly up from the 0.3 per cent rise recorded in the three months to the end of October.

Whole economy unit costs in the third quarter of last year were 5.7 per cent higher than the same period of 1987. This was the highest quarterly growth rate since the second quarter of 1986.

Further factors which might arrest a rise in pay settlements feeding through to higher consumer prices are the state of corporate profitability and the high value of the pound.

Analysts believe that profit margins are healthy and can cope with a higher wage bill. These higher costs may not feed through materially into final costs because industry's need to compete with imports will restrain it from raising its prices.

Institutions turn away from shares

By Ralph Atkins, Economics Staff

INVESTMENT in UK ordinary shares by institutions in the three months to September was the lowest since early 1986, according to Bank of England figures yesterday.

Flows into ordinary shares totalled £1.1bn in the period – the smallest take-up since the first three months of 1986. At the same time institutions, such as pension funds, building societies and unit trusts, disposed of £500m of British government securities.

The figures suggest that institutions remain cautious about investing in equities, with flows into UK equities far less than in the same period in 1987. In contrast, lending for house purchases was exceptionally buoyant, totalling a record £9.4bn in the three months to September. That compared with £7.9bn in the previous three months.

Most of this lending was accounted for by the building societies, which lent £7.5bn for house purchases in the three months to September.

The strength of lending for house buying partly reflected the August change in the tax treatment of multiple mortgages. Deals rushed through to beat the deadline could have been completed during the three months to September. The Bank said this was only slightly mitigated by rising interest rates.

The institutions covered by the figures made modest disinvestments of overseas bonds in the three months to September after substantial net investment in the first half of 1988.

The flow into bank deposits was £1.7bn in the three months to September, half that of the previous three months.

Pension funds had £2.3bn to invest in the three months to September. Of this, £1.1bn went into short-term assets, mostly with less than one year to maturity. A further £1.1bn was invested in securities.

Long-term insurance funds made unusually heavy disposals, totalling £700m, of British government securities.

Call for cut in corporation tax

By Peter Norman, Economics Correspondent

THE CONFEDERATION of British Industry yesterday called for a cut in corporation tax from 35 per cent to 25 per cent in this year's Budget to encourage investment.

It said that such a reduction could offset the negative impact on investment of high short-term interest rates and enable industry to maintain investment spending ahead of the creation of the single European market in 1992.

The CBI said there should be no further net cuts in personal taxes in the Budget on March 14 because consumer expenditure had been growing too rapidly in recent years.

It argued that its Budget agenda would still allow the Government to maintain a tight fiscal stance, leaving scope to repay more than £15bn of the national debt in each of the next three years.

Sir Trevor Holdsworth, the CBI president, explaining the *call for a lower corporation tax* rate, said higher investment was needed to tackle the underlying longer-term causes of inflation. These included skill shortages in some high technology sectors and lack of sufficient production capacity in some key areas.

The CBI also called on the Government:

- To reduce the burden of overheads imposed on industry by local authority business rates and rising electricity prices.
- To increase spending on infrastructure such as roads to cut the estimated annual cost of £3bn arising from traffic congestion.
- To join the exchange rate mechanism of the European Monetary System to reduce exchange rate volatility.
- In the longer term, to shift the emphasis of personal taxation from taxes on income to taxes on spending to encourage savings.

The CBI said its proposed cut in corporation tax should be the single most important item in the Budget.

It argued that although the *Government took an international lead* by cutting corporation tax from 52 per cent to 35 per cent in 1984, the British corporate sector now bore a higher burden of taxation than many of its international competitors.

The proposed 10 percentage point cut in the tax rate would cost £4.2bn in 1990-91 and £6.5bn in 1991-92 and be fully consistent with significant reductions in the national debt.

It argued that lower corporation tax could offset any weakening of business confidence and investment in 1990 arising from the counter-inflation policy based on high interest rates. It said its proposed tax cut could make Britain more attractive for inward investment in the run up to 1992.

The CBI said that if the Chancellor decided against cutting corporation tax to 25 per cent, he should consider raising the threshold at which companies start to pay the full amount of tax from £100,000 to £250,000. This would assist smaller companies, which currently pay a reduced 25 per cent rate on earnings between £100,000 and £500,000.

Building on Business Success, Economic Priorities for 1989; CBI, Centre Point, 103 New Oxford St, London WC1A 1DU; £10 members, £20 non-members.

County NatWest troubleshooter aims to set his sights high

David Lascelles on the new man in the hot seat

Mr Howard Macdonald, the new chief executive of County NatWest, wants to build the institution of which he took charge on Monday "into an S.G. Warburg."

In his first interview, he said: "They have been consistently profitable and consistently good. And I happen to think that the two go together."

Mr Macdonald was unabashed about citing one of the City's most admired merchant banks as his role model. After all the troubles County has been through in the last 12 months he is keen to give a new sense of purpose to the investment banking arm of the NatWest group.

Howard Macdonald: welcomed inquiry

A 60-year-old Scot, he comes to NatWest after five years at Dome Petroleum, the troubled Canadian oil company which he successfully sold to Amoco last autumn.

He was preceded by a reputation for a tough, if personalised, style of management. "*Macdonald has a high opinion of Macdonald*", said a City merchant banker yesterday.

After only 3½ days, he is wary of commenting very specifically about County, and so far the only obvious evidence of his arrival at its headquarters in Drapers Gardens is the appearance in the chief executive's office of a jar of his favourite confection: wine gums.

He says he acquainted himself with County's problems before accepting the job, particularly the Blue Arrow affair which has tainted County with the whiff of scandal.

He had a chance to read the report of the internal investigation into the affair conducted by Sir Philip Wilkinson, the deputy chairman, before he made up his mind.

The affair is being investigated by Department of Trade inspectors, and Mr Macdonald declines to discuss it, though he says: "I welcome the investigation. It will clear the air."

Mr Macdonald is sensitive to comments that he is not an investment banker.

He spent 23 years at Shell, much of that time as corporate treasurer, before taking up his post at Dome. But he claims extensive experience of finance and securities and knows the banking community well, even if it is "from the outside looking in."

"There are gaps in my experience," he says. "But I have the ability to get to grips with the management."

He had his first full meeting with staff on Wednesday night where he found them "wanting to see the rabbit."

Inevitably, County's heavy losses and shocks have affected staff morale, he says. "There was a nagging worry that County might even be closed." But his arrival has reassured them that this will not happen.

Mr Macdonald will conduct a swift review of County's operations but does not foresee radical changes so much as "fine tuning."

He considers its main business divisions – corporate finance, investment management, venture capital, securities – to be in good shape. But he believes County made a fundamental mistake at the time of Big Bang in 1986 in trying to start small when other groups, including Warburg, went for "critical mass" and started big.

He expects to have a good working relationship with the parent bank, and implies that it will be closer than it was earlier, when County was out on a long leash with costly results.

"There will be two-way traffic where we can both benefit," he says. "It's not going to be an 'us and them' situation."

Although the NatWest group has strong capital backing, he says one of its greatest strengths lies in its "rich hinterland," by which he means its extensive contacts on the domestic market. He expects to consolidate County's strength in the UK before pushing too hard abroad.

His prospects depend to a large extent on the outlook for the securities markets, and he displays a degree of optimism. Referring to the recent improvement in the world's main equity markets, he says: "The institutions are beginning to loosen their purse strings."

Gibraltar court agrees to Clowes move

By David Barchard

THE GIBRALTAR Supreme Court yesterday opened the way for 6,000 investors in Barlow Clowes Gilt Managers (BCGM), the UK arm of the collapsed Barlow Clowes investment group, to receive their first payment since the company's closure last year.

The Supreme Court agreed *that Mr Nigel Hamilton and* Mr Michael Jordan – joint receivers for BCGM – could proceed with an application to the High Court in London for an interim payment of 25p in the pound to investors.

Mr Hamilton, national insolvency partner in Ernst & Whinney, described the Supreme Court's decision as "a big step forward" for investors. "I believe that it will in no way prejudice the interests of investors in Barlow Clowes International in Gibraltar. We have made very large provisions," he said.

An application is likely to be made to the High Court by the receivers today and would probably be approved almost immediately.

The High Court approved an interim payment to BCGM holders, dependent on the Gibraltar Supreme Court assent.

About £46m is currently being held in Gibraltar in funds belonging to BCGM. The interim payment is likely to cost £11m-£12m.

New hope for shipyard

By James Buxton, Scottish Correspondent

THE FUTURE of the Hall Russell shipyard in Aberdeen, which went into receivership last November, became a little more secure yesterday.

Mr Christopher Patten, the Overseas Development Minister, said his department wanted the yard to continue building a £19m ferry to serve St Helena in the South Atlantic. The yard currently has no other contracts.

The Overseas Development Administration will now negotiate a contract for the completion of the ferry with the three groups offering to take over the shipyard.

Mr Frank Blin, from Cork Gully, one of the joint receivers, said he was still optimistic that the yard could be sold.

He said he hoped to reach a conclusion by early February.

There are believed to be three bidders for the yard. One is a team from its former management, which is proposing a buy-out.

The second is Zenta Engineering *Holdings*, a Glasgow-based company which owns two ship repair yards on Tyneside. The third is reported to be A & P Appledore, a ship repairing consultancy belonging to Highland Participants.

BSB plans pay-TV shows

By Raymond Snoddy

BRITISH Satellite Broadcasting plans to launch pay-television programmes almost from the scheduled start of its service in September.

The satellite television company said yesterday that it planned to provide pay-TV coverage of up to a dozen events – from world boxing matches to classical music – in its first year.

To see these programmes, subscribers will have to pay an advance fee in addition to the £9.99 monthly subscription for the BSB Movie Channel.

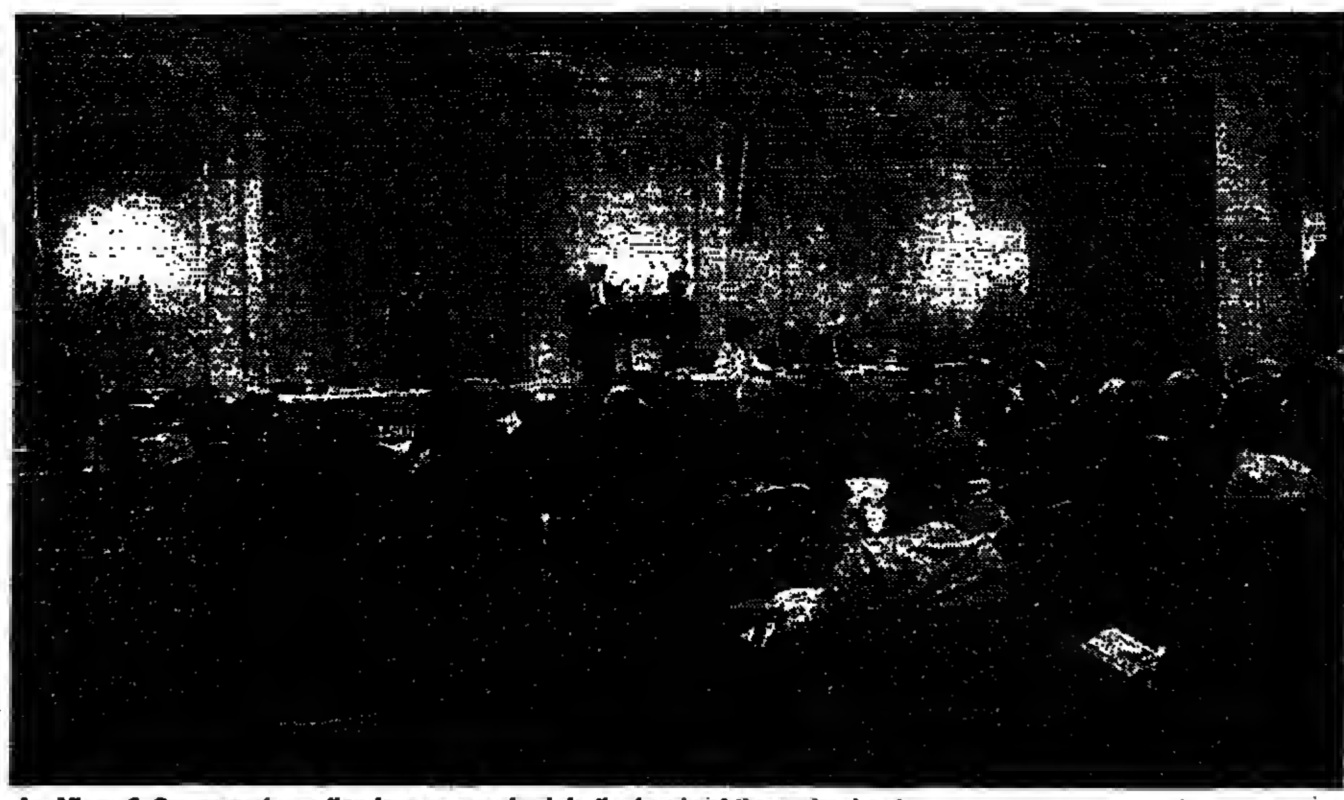
BSB confirmed yesterday that it will apply for the two additional channels for direct broadcasting by satellite which have been advertised by the Independent Broadcasting Authority.

The company, whose main shareholders include the Bond Corporation of Australia, Granada and Pearson (owners of the Financial Times), already has three of the five high-power channels allocated to the UK under international agreement.

Mr John Gau, deputy chief executive and director of programmes, said yesterday that it might be possible to begin broadcasting a five-channel service from next January.

FINANCIAL TIMES SURVEY

The Chancellor of the Exchequer's steep increases in interest rates has taken the heat out of the property market auctions. This implies, however, a return to a normality rather than any collapse in prices. **Paul Cheeseright,** Property Correspondent, reports.



An Allsop & Co. property auction in progress: back in the hands of the professionals

PROPERTY AUCTIONS

Market froth blown away

MR NIGEL Lawson, the Chancellor of the Exchequer, has blown the froth off the top of the property auctions market. In just the same way as his progressive increases in interest rates cooled the residential property market, so they took the heat out of the commercial property auctions.

And there was a deal of froth to blow away. Some investors had fallen into the habit of buying straight out of the catalogue, not just the odd shop but substantial office buildings. Money was easy. Property was in vogue. There was an automatic assumption that anything bought today would be worth more tomorrow.

It may have been marvellous for the sellers but for the professional buyers the situation was out of hand. Companies like Industrial Ownership, specialising in industrial estates, stopped buying in July on the grounds that prices were simply too high.

The effect of higher interest rates on the market is demonstrated in analysis of the main auctions carried out by CLP, the property finance brokers. This shows that the tilt at the confidence of the financial markets from the equity market crash of October 1987 had a minor and shortlived effect.

Of the total lots offered et auctions in October 1987, 79 per cent were sold. The proportion fell to 74 per cent in November and started to climb in February 1988 to reach 89 per cent in April. Interest rates started to climb in May, reaching their peak in September.

In July 88 per cent of all lots offered were sold. But after the summer holidays, the picture changed dramatically and for the rest of the year the proportion of sales hovered between, on a monthly basis, between 62 and 68 per cent, CLP said.

Of course within those broad percentages there were variations depending on the nature of the property and on the auction house involved. Healey and Baker, for example, claims that it is not much affected by higher interest rates because it concentrates on "the quality, serious investment end of the market."

Indeed, the highest price for any single property at a British auction last year was £4.75m, paid for the Exchange Buildings in Liverpool, and that came up during the December auctions.

At any rate, it is a fair assumption that the frenzy on the market, observed during the middle months of 1988, is not likely to be repeated over the next few months, although there is some hope in the property industry that the interest rate pressure might start to ease in the spring.

This implies, however, a return in the auction market to a degree of normality rather than any collapse in prices. The low cost of money which contributed to the fierce auction activity was after all historically more unusual than a high level of interest rates. It also implies at the technical level that auctioneers will continue to put pressure on property sellers to avoid the use of extravagant reserve prices: buyers are being and will be more cautious.

These suggestions are in line with the prospects for the property market as a whole. The auctions are to some extent a barometer of that wider market. And this wider market is expecting that property returns, a measurement of rental income and capital value, this year will remain high but lower than the exceptional level reached in 1987, and especially in 1988, when they topped 30 per cent.

It remains the case that the likely return from all sectors of the property market this year will probably be higher than those in the equity and gilt-edged markets and that property will remain in favour as a stable investment. Although predictions of a slower rate of economic growth are widespread, this need not have any immediate effect on the property sector. The performance of property tends to lag behind the general economy. In short, the factors which, since 1987, have made property a favoured investment, remain intact.

But within the sector, both in terms of categories of property and in terms of the players in the auctions market, there are caveats.

The first must be for retail property which accounts for the biggest percentage of all the lots offered at the auctions. While its is true that secondary shops, making up the bulk of the offering are less susceptible to economic cycles than primary properties, they may feel the colder winds which the Chancellor has been blowing through the economy. This would tend to be reflected in the attitude of investors at auctions.

Further, there has already been a slight downturn in the returns coming from retail property, as measured by the Richard Ellis monthly property index. This, allied to the strain under which some of the multiples are operating, would tend to suggest that the retail property cycle may have passed the top.

The second caveat concerns industrial property, where both returns and demand have reached extremely high levels. Unless the general economy maintains a steady growth, this rise might also appear to have been overdone, again suggesting some diminution of demand at the auctions.

Against this there are three factors which would tend to keep the market firm. The first of these is the continuing demand for office space, not only in the south-east of England but elsewhere in the country.

While this demand is obviously linked to economic growth, present trends suggest that there is solid underpinning for the auction offerings.

The second and third factors relate to the nature of the buyers at the auctions. One category of buyers is that of the owner-occupier. The spread of owner-occupation of commercial premises has taken place largely because of the financial advantages that accrue to the moderately financed small business. This should continue ensuring a steady flow of tenants, wishing to be owners, at the auctions.

More significantly – and this is the third factor – the financial institutions have been showing increased interest in auctions as buyers. This arises from what appears to be a definite movement among pension funds and insurance companies to increase the portion of property in their total investment portfolios.

The latest official figures show that net property investment by the institutions after the third quarter of 1988 had reached a figure higher than for any single year since 1982. Now it is clear that only a relatively small percentage went through the auctions. But it is also clear that the auctions, with their relatively small unit prices, offer an opportunity for funds to increase their property investment at modest cost.

The institutions have consistently used auctions for sales when they have been weeding out their portfolios and will no doubt continue to do so. But their increasing importance as buyers points to the wider clientele that auctions have managed to attract.

Indeed, one of the key changes which has taken place in the auction industry as a result of the boom in commercial property has been that the auctions have become a point of final sale. While dealers used to buy there with the intention of selling on privately, they now use auctions as a means of disposal. What had once been a wholesale market has become a retail market.

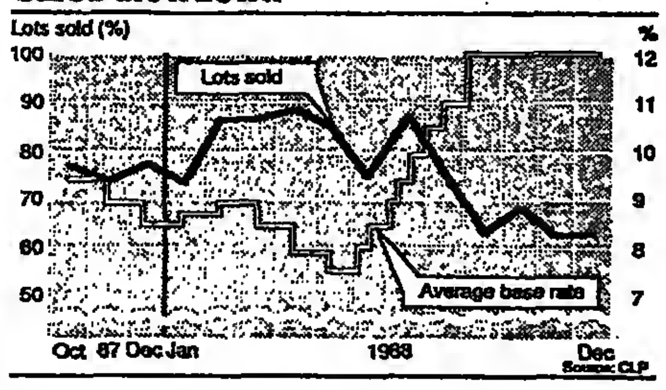
But the largest single group of customers is the property companies, looking for sites on which to develop and for stock to redevelop. The auctions are especially useful for smaller companies seeking an expansion in the market outside the agents' network.

How they will treat the auctions over the coming months is a matter of some conjecture. The better financed will continue to be active players, but the higher cost of money will probably make it difficult for others to be more than spasmodic buyers. Some, caught by higher interest rates and escalating construction costs, may be forced into auction sales, probably to ease a deteriorating cashflow.

Such property would leaven a market which traditionally has been used for older premises. It would also supplement a flow of premises from established sellers like British Rail Property Board and British Telecom, local authorities and central Government.

But, whatever the flow of properties to the market, the chances are that most money will change hands in London, which has emerged as the national centre for auctions. This is hardly surprising because, although there is a steady stream of auctions in regional centres, the widest range of buyers is where the funds are most readily available – and that is London.

Sales slowdown



Good quality investments at realistic prices continue to sell well

Investors look for rental growth as interest rate rises turn the tide

THERE IS no such thing as an average buyer at property auctions. As auctions have become more respectable, would-be purchasers have been drawn from all points of the property spectrum, from the private investor to the large property companies and institutions.

This has never been more evident than in the first eight months of last year when packed auction rooms saw purchasers prepared to buy almost anything and often at inflated prices.

The stock market crash of October 1987 only served to push more investors into property. Inevitably, following the rash of interest rate rises, the tide has turned. Caution has swept through the auction market with buyers now being far more selective.

Good quality investments offered at realistic prices will still sell but secondary property is proving more difficult to shift. Some market commentators have welcomed a cooling down in the auction room. Mr Peter Cohen, managing director of property finance brokers CLP, believes that the people pushing up the prices in the first six to eight months of 1988 tended to be new buyers in the auction market. "The higher interest rates have weeded out the amateurs in the room and that has taken a little bit of overheating out of the market," he says.

Residential property auctions have suffered the most, reflecting the mood in the private treaty market. Vacant houses for owner occupiers have been the worst hit, whether offered at London auctions or regional sales. At Prudential Property Services' Kent auction in December, many of the lots which failed to sell fell into the first time buyers category.

Mr Clive Emson, the Pru's auctioneer for the South East region, hopes that the Business Enterprise Scheme, which was extended in 1988 to cover property investment, will create fresh demand for vacant houses. Mr Emson believes that the scheme, providing tax incentives for investors buying empty properties and letting them on assured tenancies, could give the residential auction market the bolster it needs.

Barnard Marcus, the largest residential auctioneers in the UK, have found that, while the owner occupier market is very sticky, large investment companies specialising in the acquisition of tenanted houses are still very active. Mr Gary Murphy, residential auctioneer at Allsop & Co, has also seen strong demand for single tenanted residential investments, particularly when they are let to elderly tenants. However, he says that these are becoming increasingly rare, following the introduction of legislation permitting landlords to charge market rents on assured tenancies, rather than a registered rent. As a result, Mr Murphy concludes: "The value of residential investments lies less in obtaining vacant possession, more in the income."

Good quality residential sites continue to attract buyers says Jones Lang Wootton's auctioneer Mr Christopher Drury. JLW sold two such sites on behalf of British Rail at their December auction for more than they were expecting. Interest in the room came from small local builders, or large builders operating in the vicinity, able to draw on existing local resources.

However, Mr Emson at the Pru says that while large developers are still buying sites, having adopted a long term view with regard to land banks, the smaller individual building plots are not selling as readily. The smaller developers and investors are the first to come out, he adds.

Most auctioneers agree that the high income investors looking for long term investments are less susceptible to the interest rate increases than the dealers, operating on borrowed money and looking to make a quick profit by trading on property.

Mr Duncan Moir, assistant auctioneer at Allsop & Co, points out: "The activities of a dealer, borrowing money on a short term basis and not anticipating holding the property for very long, are going to be sensitive to interest rates since costs can form a large part of the transaction. The high income investor, less affected by fluctuations in the market, is able to take a longer term view."

JLW's Mr Drury says: "Interest rates are only one of a number of factors that need to be considered. Rental growth is important, if not more so, and is stronger than has been for many, many years, particularly in the industrial and office markets.

While renewed interest in quality office and industrial property has attracted some very competitive bidding in the past year, retail investments continue to have a large following in the auction room. Many of the single tenanted shops in London offered by Healey & Baker at their auctions have been sold to private investors and locals. Auctioneer Mr Richard Pryce explains that this type of investment is particularly appealing because the purchaser can relate to it. They can actually go into the shop and hear money changing hands, he says.

"The higher interest rates have weeded out the amateurs in the room and that has taken a bit of overheating out of the market"

Auctions have also given people the chance to buy the freehold of larger retail units on a sale and leaseback basis. Edward Erdman which has offered portfolios for both Woolworth and Boots in the past year, believe that by offering the stores as individual lots at auction, they are providing investors with an opportunity not available to them on the private treaty market.

The Asian community is playing an increasingly active role in the property market and has a strong presence at many of the London auctions. Mr Richard Pryce at Healey & Baker says: "Perhaps because the retail trade is so good, Asian entrepreneurs have made money which has been allocated to long term property investment." To cater for this expanding section of the market, Healey & Baker last year advertised one of their auctions in the Sanskrit-language newspaper, the Daily Jang.

Mr Simon Riggall, Conrad Ritblat's auctioneer, says advertising has helped to focus investors' attention on the potential of leisure property, a speciality of the firm. By putting a number of properties in one of their auctions, Riggall says a small company is able to justify a higher amount of advertising and more people will therefore see what is available. Auctions have widened the market, he adds.

Looking ahead, Mr Drury at Jones Lang Wootton believes that the auction market will be a lot more balanced in 1989. In the first half of 1988, he says it was very much a sellers market. But in the coming year, he believes that good prices will be paid without the froth on top, presenting good opportunities for the genuine buyer and investor.

Deirdre Cornes
Chartered Surveyor Weekly

PROPERTY AUCTIONS 2

David Lawson explains current trends in the commercial property market

Business space needs draw in buyers

COMMERCIAL property has been hit much less severely than housing by interest rate hikes because of the very reason why the Chancellor has been squeezing the economy. Businesses are expanding rapidly, which means space is in short supply and buyers are being drawn into auction rooms when they cannot find what they want elsewhere.

Tha same pressures are pushing up rents, making commercial property that much more attractive to investors who have anyway drifted away from equities.

The big institutional investors have been stuck for years with some property they want to shake off, particularly in the provinces. A long period of stagnation has now been overtaken by a boom in demand – partly through relocation from the South-East hut mainly because local economies are growing across the UK – so the funds can find ready buyers at good prices.

Buying at auction therefore moved from the exceptional to the acceptable during 1988. The *quality of property also* climbed as salerooms threw off their stigma as the dumping ground for awkward or unsaleable buildings. That said, there was some scepticism after the summer lull whether auctions would continue to be in favour as interest rates were stepped up, according to Mr Bob Senn of the Property Auction Guide. Buyers came back from holiday with a severe attack of the jitters in September, deciding to adopt a "wait and see" attitude rather than diving in to replenish their stocks after the break. The top half-dozen auctioneers found themselves left with between 30 and 60 per cent of their commercial property unsold, and some dire predictions were being made of a total collapse in confidence.

By December, however, nerves had steadied and the final sales of 1988 produced much better results. The optimists put that down to deep underlying demand and a reluctant acceptance of higher interest rates: the pessimists felt that auction houses had cleared out as much property as they could which might be overpriced.

"We all knew the market was going to come down," says Mr Robin Cripp of Barnard Marcus. "Higher interest rates merely helped it along. But no matter what the cost of borrowing, at the end of the day interest rates don't matter if you think you still have a good deal – and there were still some good deals around."

The latest round of rate increases will test that theory. Mr Senn believes the first sales of 1989 will repeat the pattern seen after last summer. Buyers will ignore the questionable *lots and concentrate attention* on the best property. This will be merely an extension of an underlying trend hidden by all the frenetic activity, where quality has tended to bring its own rewards.

Auctioneers at the top of the tree tend to handle the best material, and they have consistently dona much better throughout the year than those lower down the pecking order according to the computer banks of Property Auction Guide. The four market leaders offered about 1,200 commercial properties last year, raising some £470m at a success rate of 84 per cent; the other eight analysed by PAG offered twice as many lots but sold only 65 per cent for about £240m.

Healey & Baker, for instance, sold 190 of the 220 lots that went under its hammer in 1988, pushing turnover up by 10 per cent to almost £140m. Any downturn in the spring must be set against the powerful surge over five years in both property values and auction turnover which have seen its sales rise almost fourteenfold and the average lot size almost triple in value to £745,000.

Over-ambitious reserves set by sellers who will not come to terms with redneed values since the summer peak are grit in the newly-oiled machinery of the auctions market. Commercial property investors are more likely to sit tight and hold onto property than residential sellers because they are generally getting some form of income from rents. This tends to make them hang on in the hope of meeting a reasonable reserve, often passing the property around different auction houses each time it fails to sell.

Some firms are even refusing to handle lots they feel are over-priced. The ire of a few potential clients is a lot more preferable to a disastrous auction in which only a handful of lots sell because reserves have been set too high.

The irony is that even when auctions fall flat, there are probably almost as many people crowded into the salerooms as there were before the summer. Nor is there any shortage of property, according to Mr Duncan Moir of Allsop & Co. It just is not selling as readily. Once reserves begin to drift down as investors come under pressure from their bank managers to cut their losses, gavels may start coming down with a little more strength.

Retail

Strong demand at the end of 1988 in spite of 12 per cent interest rates shows there has been no real switch away from auction rooms and that bodes *well for this year, says Mr* David Masters of Healey & Baker. But while interest rates are high, fewer properties at the bottom end of the market are likely to be turned quickly, which will cut volumes in 1989.

Retail property, spurred by the continuing consumer boom, remained in greatest demand through 1988, making up almost 70 per cent of the lots sold by H & B last year. But there was a marked change in the pattern of property sold, according to Mr Duncan Moir of Allsop & Co. Retail parades, for instance, have been been broken up in auction rooms rather than sold to dealers for later dismemberment as in the past. Market towns and smaller shopping centres have also moved into favour as demand spread out of London and the South-East.

The overall quality of investments coming up for sale has also improved out of all recognition as a better class of buyer and seller has moved in. "It is now quite common for prime *high street shops to appear in* catalogues," says Mr Moir.

Rising interest rates could throw a long shadow over retailing, however, with rental growth stifled as the consumer boom peters out, particularly in secondary locations, he says. The out-of-town market may also dampen after a burst of interest which saw H & B sell its first greenfield superstore at Taunton for £1.55m in December. Demand for mixed retail/residential in London has already weakened because of the sluggish performance of house prices.

But prospects remain good for established high street locations which are favoured by tenants and local investors and can lean on their variety and traditional customer loyalty. Refurbishment prospects on small shopping centres which institutional owners find too much to handle should also appeal to developers, providing locations are good.

Office

Offices have seen the same pressure of demand outside the established stamping grounds of investors in the south-east. Rents have soared in provincial office centres such as Bristol says Mr Moir, giving institutions the chance to sell on to eager local and national investors or developers. Over the year yields have been beaten down from between 9 and 10 per cent to around 7 to 8 per cent in expectation of further rental growth.

In fact, Healey & Baker's highest price in a record year was on a provincial building – £4.75m for Exchange Buildings in Liverpool. Allsops also sold a 17,500 sq ft office block in Crewe for substantially more than the reserve, achieving an 8.4 per cent yield. The attraction lay in the covenant – it was let to a government department – and the prospect of a rental nplift at review within three years.

Another current focus of attention is around the fringes of central London, not just from investors hungry for high growth potential but also businesses buying alternatives to increasingly expensiva City and West End offices. Refurbishment prospects are back in favour because of planning changes which make it easier to switch from industrial to office uses.

Businesses are increasingly choosy about the buildings they require, demanding good location, parking and services. On the other hand, investors must restrict themselves to good covenants, because higher interest rates raise the threat of default.

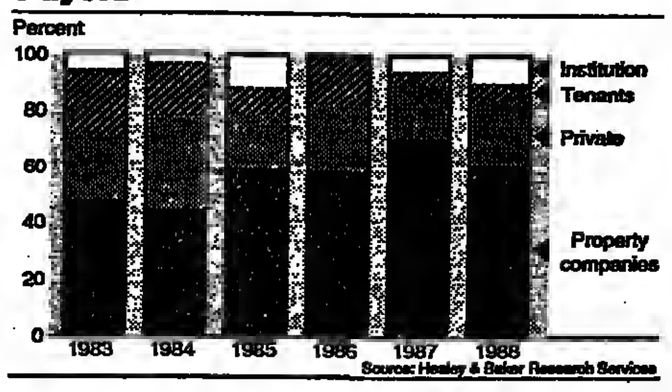
Industrial property has experienced the biggest pressure on yields, as investors rushed to take advantage of a substantial surge in rents after a long period of stagnation. In the South-East, single-figure yields have been common for some time but the rest of the country followed suite in 1988, with returns of 8 or 9 per cent on sales now commonplace compared with around 12 per cent a year ago. *Allsop & Co* picks out one highly reversionary industrial estate next to the M1 at Growby, Leicestershire, which had two or three bidders fighting to the death before it was knocked down for £2.8m – an 8 per cent initial yield.

Industrial

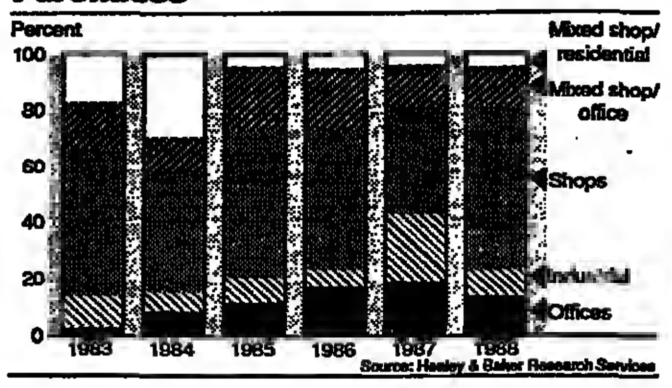
A sea change has swept through the type of property in most demand from tenants. They now lean more towards high-tech and husiness park premises, whicb is making older stuff look increasingly tired, according to Mr Moir. But there is a thick layer of demand for more traditional premises, which should assist secondary property.

Low short-term yields on industrial investments are balanced by prospects for rent uplift as tenant demand strengthens further, says Mr Moir. Redevelopment possibilities may compensate for the limited long-term performance of older buildings witb a shorter life-span, although this will depend very much on continuing economic growtb. Again, the threat of tenant defaults under pressure from higher interest rates means choosing covenants carefully, and quality of location and construction is also becoming as important here as in other forms of property, as tenants become more choosy each year.

Buyers



Purchases



RESIDENTIAL MARKET

Re-adjusting to sanity

NOTHING illustrates the sharp turnaround in the property market more than the collapse of interest in house auctions over the last few months.

Housing has been hit harder than any other part of the property market by soaring interest rates and static prices, leading to a dismal success rate at pre-Christmas sales and prospects of cancelled New Year auctions.

It was all so different a year ago: cheap money and soaring prices crammed salerooms with buyers frantic to grab whatever they could get their hands on. Records were broken every month as professionals competed with a flood of amateur newcomers scrambling for a handhold on a newly-discovered gravy train.

The average buyer had discovered this was a sure way to beat gazumping and delays.

The tide began to turn in the summer. Prices had already reached silly levels in the South-East, with developers and first-buyers bidding aggressively for the run-down inner-city houses which normally provide the basic fodder for investors.

"We saw the first twitches in June when prices were going wild because of the amateurs. Many experienced people stopped buying," says Mr Robin Cripp of Barnard Marcus.

The amateurs and first-buyers have now disappeared leaving the long-serving professionals to move back into their old chairs. But the speed in which the market has changed caught many on the hop. Those who bought high in the summer boom are finding it hard to accept that they have to cut their price estimates if they hope to sell. Meanwhile, ordinary owner-occupiers are being urged not to bother bringing their standard modern semis and converted flats into the auction rooms as they will sell no better than from an estate agents' window.

"In the last three months residential property ready for occupation has been in over-supply," says Mr Gary Murphy of Allsop & Co. "Vendors, however, still expect prices to have risen at the same rate since last spring and many tend to have an inflated opinion of their value."

It is this overvaluation which has hit the auction rooms as hard as any reticence by investors. "Volume of sales is down 35 per cent on a year ago," says Mr Cripp. "There are still plenty of people willing to buy but they will not do so at silly prices."

The main impact has been on owner-occupied property, but Mr Murphy says more traditional lots such as development sites and property with conversion potential have also been affected to a lesser degree by the more cautious approach of developers and investors.

Anything which has failed to sell at auction – or is being off-loaded by agents who cannot move it on the open market – is unlikely to find favour in the auction rooms for the next few months. Even newly-introduced property will need to be priced realistically – perhaps as much as 10 per cent below current asking levels.

There are a few bright spots amid the gloom, however. Mr John Gorst of Folkard & Hayward says its ground rents auction in London at the end of 1988 proved surprisingly successful, with many lots exceeding reserves. Perhaps this was because this is one of the remaining preserves of professional investors, where outsiders and amateurs sniffing easy profits have made fewer inroads to overprice the market.

"The professional investors were interested not just in a return on seven to eight years' purchase but in a complete package of service charges, insurance premiums and commissions," he said.

One positive factor for the coming year could be demand for property to convert under the new residential business expansion scheme regulations. On the other hand, there could be a rush of houses coming up for sale from owners who are forced to trade down because of the pressure of higher mortgage payments.

Repossessions could also swell turnover – although building societies are not keen on evicting at the best of times, let alone when they may have to resell into a dead market. Part-exchange schemes also flourish at times like this, and builders may be forced to offload through salerooms to cut the drag on their cashflow.

Ironically, just when it is the best time to find a bargain in the auction rooms, the public at large will probably stay away, leaving the field to professionals. That will not disappoint auctioneers too much. "Things always go wild when the amateurs move in and start bidding silly prices," says Mr Cripp. "Then we have to wait out periods like now for everything to adjust back to sanity."

David Lawson

ORGANISING AN AUCTION

The secrets of success

TO THE unenlightened bystander, the organisation of a major London property auction might appear to be "a piece of cake" as several hundred lots of residential and commercial properties appear to change hands effortlessly for several million pounds.

But behind the smooth-running performance given on the day by the auctioneer and his team, lies some 8 weeks of preparation and hard-work and years of experience.

It is not that easy to stage a successful sale as several firms, attempting to jump on the "auction bandwagon" recently, have found out to their cost. "It is easy to have your first or even second sale. The difficulty is keeping a regular flow of auctions every two months and that is what floors many people entering the market," as Mr Chris Drury, senior auctioneer with Jones Lang Wootton, explained.

It costs commercial auctioneers, Allsop & Co. in excess of £200,000 to stage a 200-lot sale (although a large proportion of that is recoverable from clients by way of expenses) with the catalogue of properties alone accounting for some £150,000 of that sum.

Patrick Kerr, one of the two partners responsible for compiling the catalogue, says the firm needs a minimum of 50 properties with an average lot size of £200,000 to make a sale profitable; enough to bring in £250,000 in fees.

The eight-week cycle leading up to a sale typically begins with a team of 8 surveyors sorting through offers of instructions and deciding which to accept. In each case a client is advised as to the suitability of his property for sale by auction, and, in certain cases, the firm may recommend a sale by private treaty, tender, or refer that client to another auction house more suited to cater for his or her type of property. They may also advise against particular disposals on the grounds that they are not suitable for sale at the present time, perhaps because of current market conditions and advise later sale.

The team then turn their hand to researching rental values, expected rent review increases and other factors likely to influence the sale price, reserve price and guide price of the commercial and residential investments. On the assumption that the client is then happy with the reported figures, fees are agreed. These are usually in the region of 1½ per cent although most auctioneers will negotiate on lots in excess of £2m.

The Agency Contract is then sent to the client or his solicitor for approval, together with requests for any special conditions of sale that may apply to that particular property.

Five weeks before the sale the surveyors check the proofs returned from the typesetters and when approved, send draft proofs to clients, their solicitors and any joint auctioneers, for their comments.

At the halfway stage in the timetable a main advertisement is prepared containing a précis of all lots and photographs of the more major properties. This is inserted in the property professionals' "bible", the *Estates Gazette*, and the all-important catalogue is now sent to over 12,000 interested parties on a regular mailing list. Clients are advised as to the level of "guide prices" and refinement of reserves. Whilst the reserve is never disclosed, the guide price is given out to all enquirers and reflects the auctioneer's estimate of the sale price.

Three weeks before the sale, intensive marketing of the catalogue, including specific marketing and targeting of individual properties, takes place.

Only two weeks left and the auctioneers are considering bids received prior to the sale and assessing the level of interest and reliability of any offer received.

They will advise the vendor on what action, if any, to take regarding these offers, with final reserves being settled 7 days before the auction. These are then confirmed in writing with vendors, and Agency Contracts are returned duly signed.

Draft contracts are prepared and solicitors requested to submit any necessary addenda to their Conditions and Particulars of Sale. Press releases on any newsworthy properties are despatched to radio, TV and newspapers.

Two days before the auction and the auctioneers begin to mark up their master catalogues with reserves, vendors' individual instructions and the bidding increments for each lot; i.e. in £10,000s, £50,000s or even £100,000s.

It is the duty of purchasers to catch the eye of the auctioneer not vice versa and they will be informed from the rostrum, of the procedure for signing purchasers' slips, issued when the gavel falls in their favour, and method of payment of deposits due at that same time.

All deposit cheques are specially cleared the following day.

The big day arrives and early morning is spent effecting any last minute sales prior to auction, and discussing other important matters that may have arisen.

Once the opening announcements have been made the auctioneer will invite questions before he commences the bidding. He will not accept any queries once the sale has started, and any attempted interruptions will be dealt with firmly and swiftly.

The smooth-running of the auction must not be disturbed for both buyers and sellers could suffer as a result. The auctioneer has to be part actor, part showman and is only as good as his last sale. The minefields of pitfalls experienced in the private treaty market does not exist in the auction room and buyers may find it far less daunting. They cannot be gazumped once the lot has been knocked down to them, and assuming the deposit cheque is cleared, the property is theirs some 28 days later.

During the mid-day break the auctioneer and his partners will host a private lunch for some clients of the sale, which also doubles as a last-minute opportunity to discuss any queries with them.

That evening the team celebrate what is usually another successful sale, before starting the whole process off again the following day. For the principal auctioneer, it is a chance to rest his voice – something he dreads losing almost as much as his catalogue!

Susan Harris

Buildings and their worth

Paul Cheeseright reports on the RICS's updated valuation guidelines

Property valuers have not been having a comfortable time. Their assessments have been pecked over in takeover contests. They are accused of being too conservative. Eyes have been raised by the wide disparity in valuations of the same properties by different chartered surveyors.

There are, of course, responses to all of these criticisms, but it has been recognised that the standards which apply to valuers do not push out far enough. For some months the Assets Valuation Standards Committee of the Royal Institution of Chartered Surveyors, the recognised professional body, has been working on amplifying and tightening up its guidelines.

Now, after running through eight drafts, additions to the existing guidelines are being published. They aim to reflect the wider needs of the market place and to offer a greater degree of protection to valuers themselves. They carry on from where the old guidelines left off.

The key point here is the way the standards build on the definition of "Open Market Value", used for property valuation in company accounts and, of course, in takeover struggles.

According to the guidelines, "Open Market Value is intended to mean the best price at which an interest in a property might reasonably be expected to be sold by private treaty at the date of valuation assuming:

- a willing seller;
- a reasonable period within which to negotiate the sale taking into account the nature of the property and the state of the market;
- values will remain static throughout the period;
- the property will be freely exposed to the market;
- no account is to be taken of an additional bid by a purchaser with a special interest."

What this did not reflect in valuations was, for example, a potential value in a property or an additional value which might exist because a portfolio had characteristics which gave the total value of the individual properties an extra worth.

Now, as Mr John Marples, chairman of the Assets Valuation Standards Committee, puts it: "Valuers must make (company) directors aware of the potential in their portfolio so they cannot be accused of under-selling."

So the additional guidelines say that although the valuer should set out the Open Market Value, "it may be necessary, in order to advise fully upon the potential value of a property, to report an additional valuation on a 'special assumption'." Sometimes it will be necessary to put a figure on that extra value. Sometimes not.

Already there are two examples to hand in valuations which anticipated the publication of the guidelines.

When Healey & Baker valued the London Shop portfolio as the company defended itself against a bid from Peel, it put a premium of 10 per cent on the Open Market Value to reflect the time it takes to assemble the portfolio and the development opportunities within the portfolio.

When Jones Lang Wootton undertook a valuation for Hammerson, as part of the latter's defence against a bid from Rodamco, it listed factors – the possession of properties in specialised markets where acquisitions are difficult and the development possibilities in Canada, for example – which gave the portfolio a premium value over the Open Market Value. But JLW did not put a figure on what the premium was.

The "special assumption" in both these cases related to the nature of the portfolios in question and to the provision of information for shareholders of London Shop and Hammerson so that they could take a more accurate view of the offer made for their stock. But another area where the use of a "special assumption" to make an extra valuation could be applicable is where a site is capable of development but where there is no planning permission or where the land could have an alternative use.

Given the political furore last year about the British Aerospace takeover of Royal Ordnance plant and land, this element of the amplified guidelines has obvious implications for future privatisation issues. It could be used, for example, by Debenham Tewson and Chinnocks as it undertakes a property valuation for the water authorities whose land has been effectively frozen for development.

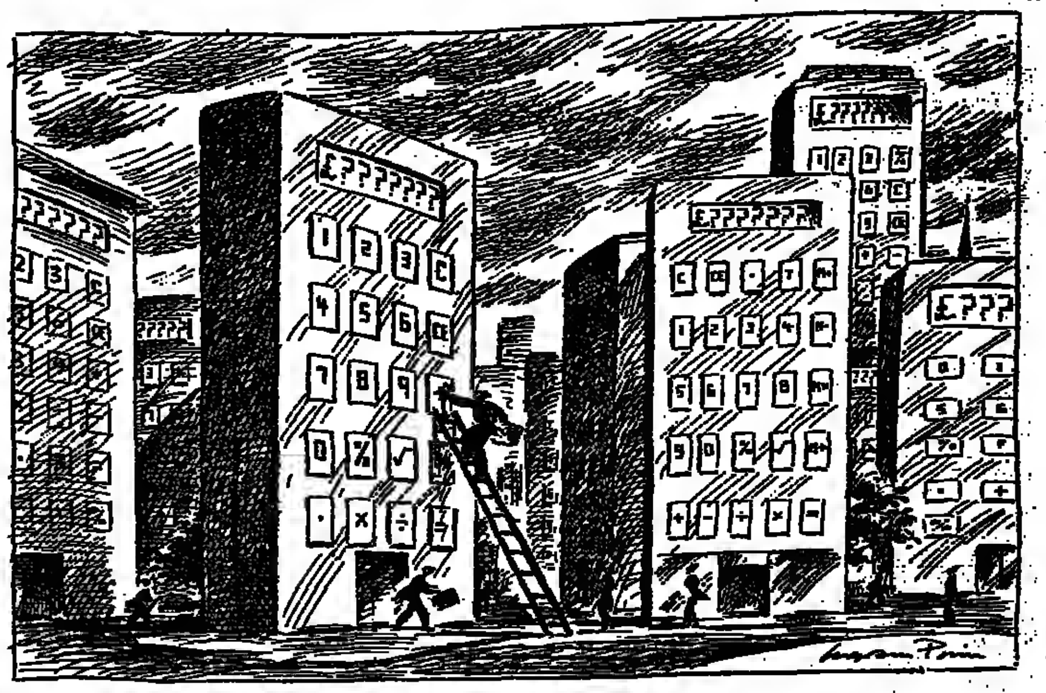
A third element of the new guidelines is to address the question of the purchaser with a special interest: "The valuer should draw attention to the circumstances if it is thought that the additional bid of a special purchaser would be materially above Open Market Value."

Valuers, in short, are being given freedom to make a "special assumption" about a "special purchaser" and make extra valuations to reflect that. A "special purchaser" is a potential buyer who has an interest in a property that the rest of the market does not have – usually the owner of an interest in the property like a landlord or a tenant.

In all of this there is not only an attempt by the RICS to create a system which allows valuers to cover all the angles of a property or a portfolio, but also to make certain that they adopt a consistency of approach. How the valuers arrive at their valuation is their business but they should adopt the same method and explain what they are doing.

The security for surveyors is that by adopting the same methodology they have some measure of protection against any pressure by a merchant bank or a property company to produce figures which suit immediate commercial convenience.

Whether investors will feel more protected by the greater flexibility in the guidelines remains to be seen. Certainly their early use in the London Shop defence appears to have made no difference to the outcome of the bid, because the company was bought beneath the asset value per share thrown up by the Open Market Value.



Questioning valuation credibility

Although the RICS guidelines are the standard for property valuation accepted by the Stock Exchange and City regulatory authorities, there has never been anything more than a rather haphazard approach to seeing that they are actually used.

The RICS is the policeman of the profession but its problem is that if there are transgressions of the guidelines then it probably will not know about them until after the valuation has been published.

The RICS cannot check the valuations as such but it can check the methods by which the valuations were carried out. It would like the Stock Exchange to police the guidelines at least to the extent that it, the RICS, would be alerted before the publication of any document that looked a bit odd. But the Stock Exchange says that it is up to the RICS to police its own guidelines.

There appears to be more consistent contact between the Takeover Panel and the RICS, although that contact is strictly informal. Both the London Shop and Hammerson valuations which, it is true, broke new ground, were quietly referred by the Takeover Panel to the Asset Valuation Standards Committee before they were published.

At issue here is the credibility of the valuation process. The Stock Exchange and the RICS have a mutual interest in making certain that the valuations are seen to be worth the paper they are written on.

TECHNOLOGY

Snapshots for instant viewing on TV

Michiyo Nakamoto on how the Japanese have adapted electronic cameras for the mass market

Japanese companies are prodncing electronic still cameras at prices within the reach of ordinary consumers following improvements in semiconductor chips and a reduction in their cost. Sony, the electronics company, and Canon and Konica, the camera makers, have introduced models in the Japanese market which are the outcome of nearly a decade of development.

Still video cameras record single frame visual images, rather as conventional cameras do. What distinguishes them from the traditional models is the use of magnetic recording instead of photographic film.

The advantages include the facts thatthe images can be viewed instantly, on a television or video monitor, and that the pictures can be erased and the video disk reused. Images are stored digitally, on magnetic floppy disks, and can be transmitted via telecommunications lines.

The biggest drawback for the consumer, however, remains the cost of making prints from the disks. Colour printers are not yet available at a price affordable to the average consumer. Prints can be made at film shops, but the quality does not justify the price of Y250 (more than £1) apiece.

The manufacturers are trying their best to play down this problem by promoting their new product as being in a category of its own. "This is a video medium, not a print medium," says a Sony spokesman.

"We envisage a new photographic era in which people will use a regular camera for the pictures they want printed and an electronic still video for other purposes, such as immediate access. *There should* be different cameras to meet different needs."

Already on the market are Sony's Mavica, Canon's Q Pic and Konica's KC-300; Olympus Optical and Minolta are also likely to release models in the near future. However, the cameras will not be available on the European or US markets until next year.

Like the video camera before *it, the electronic still camera* was initially developed for professional use and has been sold as such for several years. Sony came out with a prototype Mavica back in 1981, which it promoted particularly for use in newspapers and magazines.

This was eventually developed into a highly professional and expensive system complete with camera, playback recorder and image transmitter. *The Mavica records* both images and sound and the transmitter allows images to be sent over the telephone line.

But the electronic cameras developed for specialised professional use were too cumbersome and expensive to be acceptable to the general consumer. Moreover, the picture quality did not match the clear and glossy image of the conventional colour photograph.

Recent developments in technology have permitted substantial reductions in size and in price, to just below Y100,000 (£440); and picture quality has also been enhanced. The improvements include:

- A reduction in the size of the floppy disk to produce a new standard two-inch disk, capable of storing up to 50 frames. This development stemmed from the technology associated with the earlier 3.5 inch floppy disk used in many portable computers.

The Electronic Still-Image Video Camera Committee was set up to standardise formats in order to avoid the mistake of developing incompatible *systems – as happened* in the early years of the video cassette recorder.

- Advances in prodnction techniques have resulted in smaller and better chips. Those employed in Canon's Q Pic are custom-made under a joint venture with Texas Instruments of the US. Canon says that since the price of chips has fallen substantially, it is possible to order more efficient, custom-made ones and to rednce their number within the camera.
- The elimination of features such as sound recording makes the still video camera aimed at consnmers snbstantially smaller, lighter and cheaper than the professional version.
- Mass production has made available cheaper image sensing devices. These change light to electronic signals and take the place of the photographic film used in conventional cameras.

Electronic still camera with video disk

Sony's Mavica uses a ⅔ inch picture sensor with a metal oxide semiconductor (MOS), while *Canon's Q Pic uses a ½* inch charge coupled device (CCD), jointly developed with Texas Instruments. The image sensing devices in the electronic cameras enable picture quality to be maintained at a reasonable level when the video disk is played back on a television screen or video terminal.

Despite their small size, the new still video cameras are able to use magnetic recording technology. In this sort of recording the image is translated into digital signals and recorded on a magnetic floppy disk.

The images are reproduced immediately on a television screen, in much the same way as a recorded video tape can be replayed instantly. There is no need for processing, as must be done with film. Projection is achieved by attaching the camera to an adaptor, which in turn is connected to a video monitor. The manufacturers have also developed a special adaptor for televisions.

Pictures are viewed either at regular intervals, by setting tha playback adaptor to the automatic mode, or manually by pushing the forward button – rather as slides are called up on a projector. Sony has introduced a wireless remote control unit for random viewing of specific frames, so that any frame can be called up on screen by its number.

Magnetic recording also allows images to be erased. Both Sony's Mavica and Canon's Q Pic come with an automatic function that makes it possible to erase either individual frames or the entire disk at the push of a button. When reusing a disk, the camera automatically skips to the free frames.

Manufacturers of the electronic still video camera are trying to promote it for conferences and other gatherings. They say that showing pictures in this way does not require the time-consuming preparation associated with slide shows. And since the images are shown on a television screen, room lights can be kept on.

Although the quality of the images taken by electronic videos has been improved substantially since the first Mavica came out, there is still something to be desired as far as picture quality is concerned. Advances in this area will depend on the development of smaller, better image sensing devices and on a reduction in their price, which is in turn dependent on the volume of production.

Towards the mainframe on a desk top

UNISYS, the US computer manufacturer, has launched what it says is "the industry's first true mainframe on a desk top." Without the marketing hyperbole, the new Unisys Micro A is probably better described as a small mid-range computer or commercial minicomputer.

Nevertheless, Micro A has some noteworthy features, particularly in its semiconductor and packaging technology. At its heart is the innovative Single Chip A Series Mainframe Processor (Scamp). This is a ceramic package two inches square, which contains 11 chips and reproduces the architecture of Unisys's larger A Series mainframe computers.

Scamp is a true 48-bit processor. In other words, it processes 48 bits of information at a time, like a mainframe, and is more powerful than the 32-bit and 16-bit chips used in most microcomputers.

Micro A is fully compatible with Unisys mainframe computers. It uses the same operating system and will run programs written for them.

According to Douglas Morgan, a Unisys programme manager, the company adopted an unusual design strategy. "We chose a small team of our brightest young engineers, took them out of our semiconductor facility at Rancho Bernardo, California, and put them into a garage next door," he says. The engineers were given a free hand and a year to do the job – and they came up with Scamp.

Scamp is mounted on a standard personal computer expansion card, together with 12 megabytes of memory and an input/output controller. This card slots into a Unisys PW2 workstation, which is the hardware "platform" for Micro A.

Although Micro A runs mainframe software, it does not have the power or versatility that would normally be associated with a mainframe computer. Scamp's processing speed has had to be slowed down to fit in with the PW2 workstation, and no more than 16 users can be connected to one Micro A.

In the commercial market, Micro A is designed to compete principally against IBM's new AS/400 mid-range computers, particularly the B10 and B20 models. The US price of the basic Micro A hardware is about $20,000; in the UK, where the hardware and software are sold together, the starting price is £25,000.

Unisys says that Micro A is an ideal vehicle for programmers to write applications software for large Series A mainframes without affecting the performance of the main computers. Departments can also use Micro A to develop systems for their own applications, leaving their company's central mainframe for corporate information processing.

Clive Cookson

Guidelines to help control transgenic animals

British scientists have drafted a code of practice for experiments with transgenic animals. These are creatures which carry one or more genes transplanted from another species, or extra copies of genes from the same species, as an integral part of their genetic material (DNA).

The Home Office says that the guidelines, drawn up in anticipation of experiments which the Government expects to be asked to approve, will be backed by new legislation later this year.

The code – believed to be ahead of the practice in any other country – was requested by government scientists planning experiments in improving animal husbandry. The work should be seen not as a way of making farmers richer, but as a way of improving animal health and welfare, says Professor John Beringer, a microbiologist at Bristol University. He heads a sub-committee of the Health and Safety Executive's Advisory Committee on Genetic Manipulation (ACGM).

Beringer says that the prevention and reduction of disease in animals is the area of greatest opportunity. Another possibility is to use transgenic creatures as biochemical reactors, making pharmaceutical and veterinary products, for example, in their milk. They could also be employed in the production of "healthier" foods, such as meat with less fat.

A dozen laboratories in Britain are already experimenting with transgenic mice and three with domestic animals, all under stringent conditions of containment. The worries really begin with bigger beasts, such as cows, sheep and pigs, and the conditions controlling their spread outside the laboratory, for example to a field.

Research into genetic manipulation is regulated by the Health and Safety Executive. So far, all the UK research on transgenic animals known to the executive is in the public sector, mostly under the aegis of the Agricultural and Food Research Council.

So far British agricultural scientists have gone no further outside the laboratory than to plant a transgenic potato in a field, under closely specified conditions.

Once this extends to animals, it is felt that the breeding of transgenic cows could be "contained" fairly easily, whereas sheep might need to roam more freely; and experiments involving fish might be very hard to contain.

Cases which the code would seek to prevent are illustrated by the arthritic pig, a transgenic beast born in the US as the result of experiments in accelerating growth. The growth gene had found its way into the wrong tissue and the pig was unable to stand.

The UK regulations would forbid breeding from such a beast, no matter how fast it put on weight. Nevertheless, that particular pig yielded valuable information on how the gene for the growth hormone was expressed in the pig.

Anyone having bright ideas about the commercial advantages of wingless poultry would also be turned down, the Home Office says.

At present there are two main ways of introducing new genes into an animal, by micro-injection and by using a virus as a vector to carry them in. Both techniques are covered by the guidelines. The regulators will need to be convinced, for example, that the virus involved could not activate another virus in the animal, says Beringer. They would not approve the use of any virus which could be transmitted to man.

Mark Williamson, a professor at York University and chairman of the working party which drafted the guidelines, says that the aim is to keep ahead of the scientists. The regulators have not yet been asked to approve any transgenic animal experiment in which genetically manipulated viruses would be released.

Any food product from a transgenic animal will be studied by the Government's Advisory Committee on Novel Foods and Processes, which has already approved mycoprotein, a micro-fungus, and the use in principle of irradiation to pasteurise some foods.

Williamson is also helping to draft guidelines for the European Community.

David Fishlock

MANAGEMENT

Architectural practices

Fighting a prejudice

Andrew Hill finds that both the partnerships and public companies believe they have confronted the need to *impose management disciplines*

Everybody says that architects are terrible managers, according to John Taylor, architect and chairman of Company of Designers (CoD). However, "as a public company, we have had to say to our people, look, management is a discipline which you must adapt to, whether you like it or not," he *maintains*.

Taylor, in his own words, is "a stubborn sod." It was partly this stubbornness which helped CoD, a building design practice, through the Crash. Its flotation on the Unlisted Securities Market was scheduled for the day after Black Monday in October 1987. The group went ahead – albeit eight days late and with a much-reduced market capitalisation – and has *been driven on since by Taylor's* enthusiasm, despite a depressed share price.

Companies like CoD and YRM, a building design practice which gained a full listing in April 1987, believe that flotation has set them apart from the crowd of unquoted multidisciplinary design agencies.

The need to answer to more stringent regulation, shareholders and the City, has forced them to tighten their management controls and strengthen their accounting procedures, they say.

But although they feel flotation has encouraged firmer management and attracted new clients, the market has been more critical, deflating the optimism of the fledgling quoted companies.

During the past year, three of the six quoted architects – Whinney *Mackay-Lewis*, DY Davies, and Tribble Harris Li – have reported falls in profits. Agency sector analysts at James Capel suggested last year that such problems within a fast-growing industry were "symptomatic of incomplete breadth of management".

The three other practices – CoD, YRM and recently listed Aukett Associates – think they are suffering in the market because of their counterparts' traumas. Peter Warburton, YRM's finance director, believes this has reinforced the prejudice that architects are ill-qualified to manage themselves.

"I don't see why designers should not be as good at running an organisation as engineers or practitioners of any other discipline. This is a type of business which it is possible to manage in a professional way, but it does take a great deal of sensitivity and care and judgment to do it. Our most important management skill is motivating people."

That said – and other architectural practices say the same thing – how they achieve this is partly dictated by historical accident which has led to them operating differing management structures.

CoD, for example, has shielded its 280 designers from some of the stresses and strains of belonging to a public company by maintaining the *federal structure of a large* unquoted architectural partnership and installing more rigorous *management* controls. YRM, and the other quoted architects, built from a central base, adding *design* disciplines and regional offices.

John Taylor sees fewer similarities now, but he admits that at the outset he modelled the CoD federation on Building Design Partnership, the multidisciplinary architect formed in 1961, which now employs 1,500 people in seven offices in the UK.

The difference is that the Building Design Partnership, though unable to offer employees the share incentives open to a public company's staff, says that it enjoys the financial flexibility offered by, for example, partnership tax law, and has been able to achieve growth, and recognition, without limited company status.

BDP admits that if the current trend of quotation continued and, for instance, architects began to lure designers away from the partnership and towards the promise of equity stakes in listed practices, it might have to consider – as it has done before – the possibility of a quotation.

For the time being, though, BDP believes partnership allows it to concentrate on long term success, rather than worry, for instance, about short term trends of the traditionally cyclical construction industry, on which the group relies. The decision to stay private has not hindered good management, says BDP, but at the moment the partnership's designers are happier to respond to pressure from clients rather than shareholders.

John Taylor's experience has led CoD up a different path. Since 1952, when he set up an architectural practice in Truro, *he has* experimented with most forms of management. In 1968 he merged his practice with that of John Warren, now CoD's deputy chairman, to form MWT, and in 1984 the partnership was incorporated.

"We tried to exist as a partnership; we tried running from a central source; we tried running autonomously; mutual profit and loss, and independent profit centres," says Taylor. "We *found that to apply* standard rules to 150 people – all working on different things – was impossible."

Until CoD moved its central operations into a new headquarters in London NW1 earlier this year, it was difficult to know which office to call for the definitive company line, and Taylor still spends most of his time working from Exeter, *controlling* a network of practices in 13 regions, from Truro – the smallest unit, with a staff of 10 – to Ipswich. The largest practice, in Bath, employs only 70 people, out of a total of 340.

However, even as a public company, Taylor says an unusual management framework is essential for CoD, which is trying to embrace a number of different disciplines – *from retail and landscape* design, through the core architectural business, to civil, structural and mechanical engineering – and carrying out 2,000 different jobs a year.

"Architects spend 98 per cent of time on clients. We have taken the administrative load off their shoulders", says Taylor.

On the creative side, CoD's shared resources include a landscape design unit, a model-making team and an advice group in computer-aided design, perhaps the most important target for the additional funds generated by flotation. The creative support services give designers access to facilities probably unavailable to small independent practices.

Central administration – accounting, marketing, personnel – holds the hands of architects nervous about managing the subsidiary of a public company.

John Taylor says CoD's choice of management structure does not prove that architectural and managerial skills are mutually exclusive. It neither forces creative spirits into an accountant's straitjacket, he says, nor does it prevent subsidiaries managing their own affairs should they wish to.

The least a practice in the federation need do is meet a sales target and submit a monthly management account. The target is established on the *same basis in every case: turnover* should surpass estimated costs by at least 25 per cent. The monthly account allows the central team to check progress – is a unit winning enough work? is it doing the work profitably?

But individual practices wishing to keep a closer watch on their financial progress can do their own accounting, while smaller units, with fewer *administrative resources, or* less inclination to tend the books, concentrate on pleasing clients.

Geoff Mansell, the group finance director – who started to install management controls when he joined the core MWT Partnership as practice manager in 1975 – leads a team of troubleshooting book-keepers, which looks after the accounts of those subsidiaries.

YRM's *evolution has* produced a quite different beast. Formed in 1944, it has grown from a single London-based architectural practice, reorganising into the present divisional management structure in 1982. Working under one YRM-designed roof in offices near Farringdon, in London, each discipline has its own managing director and board, answerable to YRM Partnership – one level *below* the holding company, YRM plc – which co-ordinates separate divisions when they are commissioned to work together on a single project.

Both CoD and YRM have made their first acquisitions as public companies within the past six months, and although the two *management* structures could not look more different at the moment, YRM and CoD seem to be moving inexorably towards one another as they expand.

YRM, which has never knowingly lost business because of its centralised structure, has begun to spread into the regions; it has recently added Milton Keynes, and, through acquisition, Cirencester. The *purchase means* YRM now employs about 520 people, compared with 266 when it first came to the market and, Warburton says, talented staff now need room to develop their careers.

Meanwhile, CoD feels the need, as the group expands, to strengthen the centre. Taylor acknowledges there are fears that peripheral companies in a federation could spiral out of control as the group grows, so in October CoD firmed up its geographical structure. Practices now appoint directors to four regional boards – there is room for more as CoD expands into new areas – the chairmen of which are appointed to the main board.

Taylor and Warburton are *aware of the risks involved in* being dogmatic about the structure of their respective groups, especially when the demands of shareholders and the City, which look for constant earnings growth, have to be taken into account.

"If the federation began to bleed profits, then one would have to think very carefully about pulling together all the regional offices," says John *Taylor*.

That is for the future. In the meantime, Taylor compares CoD to a convoy with himself as commodore. But although he is not in any way *in* agreement with the commonly-held prejudice about architects as managers, and thinks this is holding back the developing group, he is still broad-minded enough to recognise the need for an objective hand on the tiller.

Both YRM and Building Design Partnership have had chief executives for some time; CoD is planning to name one shortly. It is unlikely to be an architect.

Tony Andrews

John Taylor, seen at the Exeter Leisure Complex which was designed by the Company of Designers. The company's flotation was delayed for eight days by Black Monday

Innovation

How to get ideas to germinate

By Michael Skapinker

A British company which launched a new food product at the beginning of the 1980s could be reasonably sure it would succeed. By the middle of the decade, most new food products did not even last a year.

Of those food products launched in 1980, 74 per cent still appeared on supermarket shelves a year later. Of those launched in 1986, only 14 per cent were available a year later.

The major reason for the change, according to a new book* by management consultant Mark O'Hare, is that the large grocery chains now have far better information about which products are performing well and which badly. "There is simply no space on the *crowded supermarket shelves* of the late 1980s for weak products," he says.

It is far more difficult today for companies of all sorts to come up with innovative products, he says. And yet it has never been more important for them to do so. Large companies with a dominant position in their market are continually vulnerable to the young company with a new idea.

O'Hare, who spent seven years with the Boston Consulting Group before helping to set up Goodall, Alexander, O'Hare and Co, says many companies make the mistake of thinking of innovation purely in terms of new technologies, products or services.

Yet many recent innovations were based on technologies and services which already existed. Mini mills, he says, *have changed the face of the* steel industry in many countries. Instead of using iron ore as raw material, the mini mills use inexpensive steel scrap. They are much smaller than the traditional integrated steelworks and use far less energy.

Kwik-Fit, which operates car tyre and exhaust fitting centres, did not come up with new techniques to repair cars. "Instead, it found a completely new way of addressing one very narrow, well defined aspect of car owners' repair needs. Its narrow focus on exhausts and tyres enabled it to reap significant purchasing and operating economies," O'Hare says.

The key to successful innovation, he argues, is not just dreaming up novel products or services, but rather to find new ways to satisfy customers.

O'Hare concedes that he has no easy prescriptions. He does, however, have some suggestions, one of which is to watch out for unexplained successes. Roy Bishko had a small chain of heel bars in central London where he sometimes tried to sell additional products. Cheap silk ties were an unexpected success, so he set up Tie Rack.

Innovative companies are skilled at trying out new ideas in the low risk way that Bishko did. Kwik-Fit uses a small number of its outlets to *test new services. If successful, separate chains are created,* such as Kwik Lube, which provides a *full car service*.

When it comes to trying out new concepts, large companies should have an advantage. They can stick with a new innovation for longer than a smaller company, they can conduct extensive market research and they already have credibility with their customers. Many large companies, *however, fail to come up* with innovative ideas.

One way to encourage managers to do so, O'Hare says, is to make innovation part of the reporting system. When managers deliver regular reports, they should be required to say which customer needs are not being met, what ideas they have come up with to meet these needs, and whether they have been tested.

Newer companies are inherently more innovative, but many make the mistake of trying to address the needs of too many different customers. These customers often have specialised requirements, for which they are prepared to pay a premium.

The company is happy to have these high margin sales, but has to increase its resources to deal with them: what O'Hare *calls* the high margin, high overhead trap. In pursuing their innovations, he says, smaller companies would often do better to adopt a more focused approach.

Innovate! Basil Blackwell. £15

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
20	21	22	23	24	25	26

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).
The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Jan 21, Feb 13-16, March 1-4.
Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).
Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Amsterdam

The Young Vic on tour with Waiting for Godot, with Reg Stewart and Peter Theedom. Fri in Groningen, Schouwburg (125 645), Wed in Arnhem, Schouwburg (422 741).
Evita, the original Broadway production with Florence Lacey (Sat and Sun in The Hague, Circus Theatre (55 88 00), Tue to Thur in Rotterdam, Doelen (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast.
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. The festive new year programme at Kabuki-za (541 3131) includes a popular modern kabuki play Jii-san, Baa-san (Grandpa, Grandma) at the 11.30 matinee. The evening show at 4.30 ends with the spectacular Lion Dance, featuring Ichikawa Danjuro XII and his nine year old son. At the National Theatre (265 7411), the world-famous onnagata, Tamasaburo Bando, is one of the players in a mixed programme which includes two dance numbers. Ends January 28.
Yamato Takeru of Mt Ibuki. Some of the kabuki theatre's finest young actors perform a new play about one of Japan's mythical heroes, in a production by kabuki's finest showman, Ennosuke Ichikawa. Parco Theatre (477 5858). Ends January 26.
Carmen. Musical (in Japanese) based on the opera, but which follows Merimée's novella more closely than Bizet did. The aim, according to director Mike Ashman of the Royal Opera House, Covent Garden, is to put back "the sex and violence". Stars Mao Daichi who, unlike most Carmens, can dance as well as sing. Aoyama Theatre (591 1711).

MUSIC

London

Eric Hoeprich, Michael Garcin-Nazrou and Melvyn Tan (period instruments), Shumann, Beethoven, Weber, Ries, Mendelssohn, Wigmore Hall (Fri) (935 2141)
John Ogdon (piano), Rachmaninov 2nd Piano Concerto, Brahms Academic Festival Overture, Beethoven's Eroica, St John's Smith Square (Sat) (222 1061)
Julian Bream (lute, guitar), pieces by Dowland and Takemitsu among others, Wigmore Hall (Sun) (935 2141)
London Schools Symphony Orchestra, Schubert's Unfinished, Wagner's Tristan and Messiaen's Turangalila, Barbican (Mon) (638 8891)

Paris

Gerhard Oppitz, piano. Brahms. Salle Gaveau (Mon) (45.63.20.30).
René Jacobs, counter-tenor and Ton Koopman, harpsichord. Rossi, Frescobaldi, Zipoli (Tue); Cifra, Valentini, Monteverdi (Wed). Both concerts at 6.30pm at the Théâtre de la Ville (42.74.22.77).

Brussels

Orchestre National de Belgique conducted by Mendi Rodan with Yves Storm (guitar) performing de Falla, Rodrigo, Ginastera. Palais des Beaux-Arts (Fri, Sun). (512 5045).
Eugenie Nesterenko (bass) and the Brussels Festival Orchestra conducted by Robert Janssens. Borodin, Mussorgsky, Verdi. Cirque Royal (Sun) (218 2015).

Vienna

London Philharmonia conducted by Giuseppe Sinopoli, Richard Strauss, Mahler, Konzerthaus (Fri).
Chamber Orchestra of Europe, conducted by Andras Schiff. Bach, Konzerthaus (Sun, Mon).
Wiener Quartett, Mozart, Mahler, Mendelssohn, Palais Auersberg (Sun).
Wiener Schubert Trio, Vanhal, Beethoven, Dvorak, Musikverein (Tues).
Wiener Symphoniker, conducted by Christoph Eschenbach, with Oleg Kagan (violin), Natalia Gutman (Cello), Tzimon Barto (piano), Webern, Beethoven, Schumann, Konzerthaus, (Wed, Thurs).

Frankfurt

Frankfurt's Radio Orchestra under Silvain Cambreling. Schubert, Mozart. Frankfurt Alte Oper (Fri).

Berlin

Philharmonia Orchestra London conducted by Giuseppe Sinopoli. Strauss, Mahler. Philharmonie (Tues).

Rome

Maurizio Pollini (piano), recital, Auditorium in Via della Conciliazione (Fri) (654 1044).
Giuseppe Patanè conducting Franck's symphonic poem Le Chasseur Maudit, Lalo's Symphonie Espagnole (with violinist Uto Ughi) and Sibelius's Symphony No.1 in E minor, Auditorium in Via della Conciliazione (Sat, Sun, Mon and Tues) (654 1044).
British Mouth (organised jointly by the Accademia Filarmonica and the British Council) continues with the Swingle Singers performing a mixed bag which includes Bach, Henry VIII, Rossini, Granados, Gershwin, Cole Porter, Lennon-McCartney and Debussy, Teatro Olimpico (Wed) (393304).

Florence

Alexander Lazarev conducting Mussorgsky's Night on the Bare Mountain and Songs of Life and Death, and Prokofiev's Alexander Nevsky, with Nina Terentieva (mezzo-soprano), Teatro Comunale (Fri, Sat and Sun) (277 9236).

Amsterdam

Kurt Sanderling conducting the Royal Concertgebouw Orchestra with Murray Perahia (piano). Mozart, Rachmaninov. Concertgebouw (Fri, Sun 2.15).
Hartmut Haenchen conducting the Netherlands Philharmonic with Carolyn Watkinson (contralto) and Hermann Winkler (tenor), Mahler, Concertgebouw (Sat).
Josef Suk (violin) with the Royal Concertgebouw Orchestra under Claus Peter Flor, Mendelssohn, Martinu, Tchaikovsky, Concertgebouw (Wed, Thur).
Jazz concert with Bud Shank (alto sax), Bill Perkins (tenor sax) and the Rein de Graaf Trio, Recital Hall (Sat) (31 45 40).
Academia d'Harmonia, with a programme of 18th century Spanish chamber music by Pla, Ximenes, Castell and Sor, Oliver Recital Hall (Wed) (31 45 40).

Rotterdam

James Galway with the Rotterdam Philharmonic under James Conlon, Dvorak, Mozart, Doelen (Fri).
Quartetto Beethoven di Roma, Beethoven, Mahler, Faure, Recital Hall (Tue) (413 2490).
Robert Hall conducting the Netherlands Chamber Choir, vocalists and soloists, Schubert, Recital Hall (Wed) (413 2490).

New York

New York Philharmonic conducted by Zubin Mehta, with Julia Varady (soprano), Paine, Mozart, Beethoven, Avery Fisher Hall, Lincoln Center (Tue) (799 9595).
Itzhak Perlman (violin) with the New York Philharmonic Orchestra conducted by Zubin Mehta, Sibelius programme, Avery Fisher Hall, Lincoln Center (Thur) (799 9595).

Chicago

Orchestre Symphonique de Montreal conducted by Charles Dutoit, with Radu Lupu (piano), Beethoven, Berlioz, Orchestra Hall (Mon) (435 6666)
Chicago Symphony Orchestra conducted by Guenter Wand, Schubert, Brahms, Orchestra Hall (Tue) (435 6666)
Cho-Liang Lin (violin) with André-Michel Schub (piano), Stravinsky, Grieg, R. Strauss, Orchestra Hall (Wed) (435 6666)

Tokyo

Opera Gala Concert. Tokyo Philharmonic Orchestra conducted by Roberto Paternoster, with Peter Dvorsky, Renato Bruson, Lucia Aliberti, Suntory Hall (Mon) (505 1001)
Vyacheslav Polozov (tenor) with David Leighton (piano), Puccini, Mussorgsky, Suntory Hall (Tues) (406 6237)
Sir Alexander Gibson conducts the NHK Symphony Orchestra, Elgar, Haydn, Vaughan-Williams, NHK Hall (Wed, Thurs) (465 1780)

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's roughly biennial sequence of major national surveys. This is an exceptionally thorough study of the earlier phases, clearly setting out the several developments of Futurism, Metaphysical Painting, Realism and Abstraction, but is rather more cursory and helter-skelter in bringing the story up to date. But the works in themselves are well chosen throughout, never less than intriguing and often very beautiful. All in all it is a remarkable exhibition. Daily until April 9, except Good Friday; sponsors Alitalia and Fiat.
The Whitechapel Art Gallery. A major exhibition of the sculpture made in the past two years by Richard Deacon, the young winner of the Turner Prize in 1987. Also an installation by the painter, Kate Whiteford (daily except Mondays until Jan 22).

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from the United States, the Soviet Union, Japan and Czechoslovakia, together with those in French possession, form the first great retrospective since 1949 of the legendary *peintre maudit*, January 14 until April 24, closed Tue; late closing night Wed (42 96 58 30).
Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions. The first includes 72 drawings which show a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal (42 60 39 26).
Galerie Odermatt-Cazeau. Camille Claudel 1864-1943. Fourteen sculptures, mostly bronzes, by this tragic disciple and lover of Rodin whose life ended with 30 years in a mental asylum. The exhibition is completed by seven bronzes by Rodin, including two portraits of Camille herself, young and beautiful, adding the last touch of pathos. 85 Bis, Rue du Fbg. Saint-Honore (42 66 92 58). Closed Sundays. Ends Jan 31.
Musée Picasso. Because the floors of the museum are crumbling under the passage of visitors, all the paintings have had to be taken down during repairs, which will last for about two months.

Brussels

Musee Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.
Palais Des Beaux-Arts. 34th Belgian Antiques fair organised by 48 Belgian collectors and dealers. This year's theme is "the unexpected" – l'objet imprévu. Ends February 12. 513 4881.

Antwerp

Museum of Contemporary Art of Antwerp. British sculpture 1960-1988. A major exhibition of works by 36 contemporary British sculptors. Opens Saturday January 21. Closed Monday. Ends Mar 5.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Munich

Art of the Biedermeier. This exhibition tries to define the Biedermeier period with seven different themes illustrated by pictures from a wide range of artists. The presentation is dominated by the 462 paintings, while there is also a complete furnished room. Haus der Kunst, Prinzregentenstr 1. Ends Feb 26.

Berlin

Brucke Museum. Emil Nolde (1867-1956). The exhibition concentrates on Nolde's most creative period in Berlin between 1910-1911. There are about 125 pictures, aquarelles, lithographs and etchings. Bussardsteig 9. Ends Feb 5.

Stuttgart

Stuttgart Museum. The most important pictures of the famous Thyssen-Bornemisza collection covering the period between 14th-18th century as well as works by Holbein the youngest, Frans Hals, Peter Paul Rubens and Albrecht Durer. Until March.

Braunschweig

Braunschweig, Herzog Anton Ulrich-Museum. European Baroque Painting. As a gesture of reconciliation, 65 17th and 18th Century paintings from the Warsaw National Museum are being exhibited in Braunschweig, 50 years after the German invasion of Poland. This exhibition can be seen until Jan 29, and tours afterwards to Utrecht, Cologne and Munich.

Vienna

Kunstlerhaus. The Soviets are becoming more relaxed about exhibiting their treasures abroad. The latest to hit the West is a collection from Leningrad's Hermitage which is devoted to Scythian Gold, the golden artifacts of the Scythians, a nomadic people who once ruled over a large area north of the Black Sea. The 170 exhibits – ranging from gold-embroidered clothings, earrings and tableware – were found in the ritual grave mounds of the Scythian kings. Ends February 26.
Kunsthistoriches Museum. Prague 1600 – A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but also the sciences. He kept Johannes Kepler, the astronomer from near starvation, and made Prague a centre of learning and culture. Ends Feb 26.
Albertina. Four Austrian artists who emigrated to New York before the Second World War have now returned, at least in spirit, with their work. Ends Jan 29.
Historisches Museum der Stadt Wien (The city of Vienna's Museum for history). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19. 29.

Rome

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. The show is proof of the extraordinary good taste of the Caesars and their enlightened attitude to the decorative arts. Constantine did his part to encourage glass-makers in AD37 by exonerating them from a special tax levied on all craftsmen. Until Jan 31.
Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

New York

Metropolitan Museum of Art. More than 100 works by south-west American artist Georgia O'Keeffe will cover the range of her career, focusing on her influential abstracts, flower paintings and stark desert landscapes. Half of the works are from the estate of the artist, who died in 1986. Ends Feb 5

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Tokyo

Suntory Museum. Fabrics from Okinawa. Japan's southernmost island chain preserved until recently its own unique culture, influenced more by China than Japan. This exhibition features beautiful dyed textiles made by a technique called 'bingata' (red stencil dyeing), as well as woven fabrics in indigo and other dyes. There is also a small selection of Okinawan lacquerware. Closed Mondays.
Idemitsu Museum. Ukiyoe Paintings. Ukiyoe is usually associated with the woodblock print, but this delightful exhibition focuses on scroll paintings by some of the masters of the "floating world" – mainly genre scenes and portraits of beautiful women in colourful kimonos. It is drawn from the museum's own collection, as is the permanent display of Japanese and Chinese ceramics. Refreshments are available and there is a fine view of the imperial palace moat. Closed Mondays.

Continued on Page 17

ARTS

After the Fall

LYRIC PLAYERS THEATRE, BELFAST

With Arthur Miller resoundingly back in fashion it was high time someone looked at his Marilyn Monroe play. *After the Fall* opened the Lincoln Center in 1964 and outraged critics who found the sluttish portrayal so soon after Monroe's death a tasteless exercise in apologetic necrophilia.

In his recent autobiography Miller explains how he wrote the ending before it actually happened. And he reiterated what had been forgotten in all the fuss, that the play is no more or less autobiographical than all his other work. The Monroe figure is Maggie the singer, a switchboard operator who delights and charms the lawyer Quentin in the park. Quentin, like Miller himself, is about to be married for the third time and has stoutly defended colleagues called before Senator McCarthy's House of Un-American Activities Committee.

The play is a monster confession, a monologue for Quentin punctuated by voices from his past, and it juggles all the big Miller themes of betrayal and loyalty, the search for truth.

Most crucially, Quentin articulates the pain of survival in a world after the holocaust. The setting at the Lyric is a dull grey arrangement of steps and rostrums fenced off by barbed wire and a concentration camp look-out tower. Quentin was taken to such a place by a German girlfriend who is one of the play's shadows. A sense of guilt hovers everywhere as figures materialise and evaporate behind the sliding panels: the girl who fixed her nose for him, his mother and father, brother, first wife Louise.

Miller is as hard on himself as he was on anyone. As befits a compulsive monologuist, he attracts the boiling wrath of both Louise and Maggie, who run up against someone more concerned with big issues than small kindnesses. The fragmented, kaleidoscopic action anticipates Miller's Depression play, *The American Clock*, while reminding you that everything in his work from *Death of a Salesman* to *Timebends* is an experiment to form bending towards meaning.

The overriding flaw here is the play's aroma of maudlin self-justification. Roland Jaquerello's production is also fatally slow, with creaking floorboards, one-paced delivery, poor sound and patchy support playing.

Following Jason Robards and, to the only previous British production, at Coventry in 1967, Leon Gluckman, Tim Woodward acquits himself admirably. He wears the part's heaviness lightly, and falters not once in a prodigious feat of memory. He also avoids being a bore, which is handy, and he has enough technique to handle what becomes an increasingly repetitive refrain with deftness and grace.

The performance of the evening, though, is Claire Hackett's as Maggie. The writing bubbles and lifts as Miller catches Monroe's speech patterns, and Hackett, a brunette of sensual breathiness, hits off the great *Monroe* trick of talking as she thinks. Much of her allure for Miller is explained in this state of pre-Adamic innocence. But Maggie's fate is further evidence of the author's plodding theory that innocence is impossible after Auschwitz.

Michael Coveney

3 Guys Naked From the Waist Down

DONMAR WAREHOUSE

The Donmar Warehouse launches its new year with a sustained act of American iconoclasm. With affectionate waspishness this off-Broadway musical snipes at on-Broadway values, taking pot shots at Hollywood and positively peppering Johnny Carson with lead. The trouble with iconoclasm is that it's never quite as effective when the icons are someone else's, as, with the honourable exception of Gilbert and Sullivan, they are.

The format comes from the American stand-up tradition in which the three guys – MC, middle act and, in this case, headbanger – are determined to make their mark. Jerry Colker's award-winning book takes them from the dingy depths of the Komedy Klub East through chat show reclame, into the dreaded clutches of killer agentsville where they are refashioned, à la mode, as men in frocks, and whence they finally issue – a drag hack, a suicide case and an MC back on the same old club circuit.

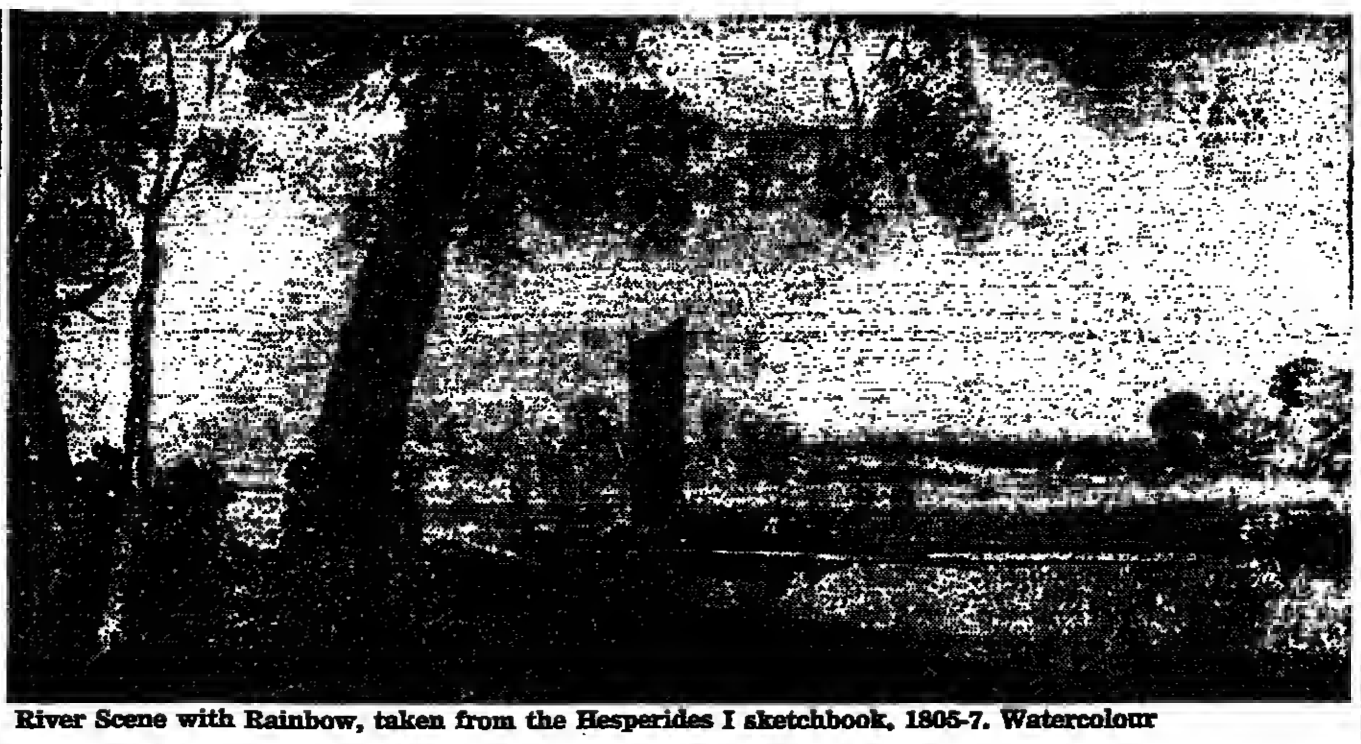
The plot is basically peg on which is hung a fast-moving, densely packed send up of American showbizzery, all the way from *Flipper* to *Return of the Jedi*, via Bob Dylan, the Osmonds and a whole quivering heap of Neil Diamond, prompting the somewhat shamefaced admission "ah yes I remember *that* well." Which, of course, is how one is intended to react to the whole thing.

Significantly, in terms of international cultural currency, it was the music that I found most seductive. Michael Rupert's score is wide in its range, holding a compelling balance between mockery and straightforward indulgence. Like everything else in the show it is slick and well-served by an all-English cast whose provenance, under Rob Bettinson's pacy direction, is thoroughly concealed.

Teddy Kempner is a natural in face and physiology for the little angry guy puffed up with urban machismo, switching to the Jewish sidekick of gangster comedy whensoever occasion demands. His fleeting impersonation of Dylan, wheezing impotently into a mouth organ from the top of a grimy poncho, is spot on.

Terence Hillyer breathes a bland fluency as the archetypal nice-guy MC, white, toothpaste-grinning and probably Mormon, but it is James Gaddas who steals the show with a performance that is wholly charismatic and wholly wacky. His first baffling entrances to varying states of truncation are followed by singing which plucks at the heartstrings of middle-of-the road 1970s pop, and movement which hints at a bodypopping black cultural input. Sure it's all impressive enough. I guess its just not my kind'a show.

Claire Armitstead



River Scene with Rainbow, taken from the Hesperides I sketchbook, 1805-7. Watercolour

Turner: the second decade

David Piper reviews the exhibition at the Clore Gallery

The current exhibition in the Clore extension at the Tate Gallery is *Turner: the Second Decade* (until March 27). The present exhibition policy for watercolours and drawings in the Turner Bequest aims at showing four selections a year, one of which will be a "Decade" show. Turner's career embraced six decades, so there are four to go.

But then they could start all over again, *con oar* and *ad lib*. There is almost something of an *embarras de richesses*. Turner's beqnest to the nation in 1851 inclnded upwards of 19,000 watercolours and drawings and prints, suggesting almost endless permutations. For this occasion a modest 50 have been set out.

In this, his Second Decade of work, 1800-1810, the young Turner matured from 25 yeas old to 35. As a professional, his position in the upper ranks of the artistic establishment was precociously achieved. A full Acadamician, R.A., by 1803 his loyalty to the Academy and its inner conclaves was to remain unswerving, even though from 1804 he started to show his work not only in the annual exhibitions of the Academy but, more or less permanently, in a gallery of his own in Harley Street. By 1810 was already in touch with some who were to be his most important patrons.

The "Decade" projects are not conceived as spectaculars, revelations of one dazzling masterpiece after another. Some visitors may experience some disappointment of expectation at first glance, but they should have no truck with any such feeling and look closer.

It does, of course, include some entrancingly seductive and satisfying "finished" watercolours that should cause any one to linger. But the exhibition is also didactic. It sets out to illustrate a great artist in his early development, a young genius flexing his muscles, already admirably tuned: tackling very diverse subject matter, discovering and refining technical skills.

For Turner, the decade was indeed momentous. He made his first trip to Scotland in 1801. In 1802 the barrier between Britain and the European mainland in the shape of the Napoleonic wars was briefly lifted by the Peace of Amiens, and British artists made a dash for the Continent: Turner for his first visit to Switzerland, and to Paris for his first sight of the great masterpieces to the Louvre. In 1805, rising to the challenge of national tragedy and triumph, he spent mnch time on studies for the death of Nelson on the Victory at Trafalgar.

His mastery of pencil and watercolour brush is illustrated in various phases. Already by 1801 he had been enlarging his technique from the delicate but essentially linear tradition of the topographical artists from whom he had first learnt: the tradition of the "tinted drawing," the composition defined by very precise contours, subsequently filled in with wash and colour.

Now his initial pencilled outlines, made on the spot, would become less particular and detailed, and perhaps virtually abolished in the sweep and rhythm of brush and colour. Already he was starting to conceive and plot compositions in terms of mass and colour, and one of his "colour beginnings," all bnt abstract tonal patterns, of Scarborough in 1809, is included. The slight pencil aide-memoires made on the spot, if found promising, would be worked up in the studio.

A number of examples are shown. The finished results may seem at first sight a little conventional, mainly becanse in composition they can often appear as variations of echoes of themes long established, by Claude and by Poussin, by British practitioners of the "picturesque" by Vernet or Van de Velde, while Turner's own mastery in revitalising them (and simultaneously saluting and challenging their originators) tends to be not fully acknowledged as we have become accustomed to so many minor academic mid-19th century painters churning them out.

Between 1805 and about 1807 Turner was painting often along the Thames Valley. He might take his subjects pretty far, working in the open air, before "finishing" them in the studio. Some of these retain a lovely freshness, a directness of feeling; one, for example, with a rainbow looking across the river into the evening skies, conveys a most tender elegiac serenity.

Working along the middle reaches of the Thames in this period, Turner seems to me to get at times very close to Constable in feeling, though he never matched everyday English weather, moist, shifting and sometimes, sparkling, on to canvas in Constable's way. It would have been pleasant to have one or two of Turner's small oils – of those rare ones that he painted in that medium direct from the subject in the open air – transferred from the main exhibition galleries for this occasion. Turner's handling of oil and watercolour were always but two thrusts of the same exploration.

The exhibition may surprise many in its revelations of the scope of subject matter into which Turner was probing. In 1807 he *started issuing his Liber Studiorum, prints* from his drawings made under his close supervision and sometimes worked on by himself. These he categorised according to subject: Pastoral, Epic (or Elevated) Pastoral, Architectural, Marine, Historical and Mountainous. Preliminary studies for some of the prints are included. The single impression of one of the prints, the "Fifth Plague of Egypt," though echoing Poussin, seems more to anticipate the thunderous melodrama of John Martin.

Experiments in genre also appear, but it was not to be his forte; drawings suggest some admiration of Wilkie, even a jink or two in the direction of Rowlandson, but merry laughter is anyway difficult in art. There is one mildly erotic drawing – and there certainly were others – Ruskin was later to supervise, at the behest of the Trustees of the National Gallery, the destruction of a whole parcel of drawings held to be gross and obscene.

In this decade, however, his interest in human minutiae and character, and noting it down is still very active. One of the most engaging images shown captures three Scottish gentlemen swathed in their tartan plaids, dour, pawky yet genial in deliberation – but who would ever have guessed them to be by Turner if they were not in his Scottish notebook?

Romeo and Juliet

COVENT GARDEN

After the excitements of the Makarova/Bocca evening, something rather more sober-sided came with Wednesday's *Romeo and Juliet*, when Fiona Chadwick and Mark Silver appeared as the lovers. Their performances were honest, with Miss Chadwick especially sure in placing the choreography before us, each step secure, each idea exposed. If meticulous care, like love, were all, then this would have been a memorable interpretation. But in a ballet where love is all, we ask for the transcending rush of emotion that will make us believe, and that I nowhere saw.

Exact and decent, these views of Romeo and Juliet would serve to tell anyone *what* the choreography looked like, but far less about what the ballet meant. Remembering Miss Chadwick's brave appearance as MacMillan's Isadora, the quietness of her Juliet is surprising. It may be that she found Bernard Haitink's expansive tempi in the third act inhibiting to a continuing momentum of dance-feeling, for she did not appear swept off her feet by events or by rebellious emotion. Mr Silver's truest moments came when action sprang quickly from the drama: receiving Juliet's letter, attacking Tybalt, his feelings were fired, and his physical response no less fiery.

The richness of texture in Haitink'e performance has the same effect as of seeing a carefully cleaned painting. Subtle relationships of tonal colour are revealed, and there is a perceptible shape to each scene. The score sounds as fresh and vital as when we heard it under Yury Fayer during the first Bolshoy season of 1956.

A welcome, too, for fresh casting to set against the predictabilities of certain mime performances: I especially like the three harlots played as desirable young women rather than the rampant trulls we have been used to in the past. The street fights also look tauter than for some time: Mr Haitink's biting way with the score here is reflected to the energies of the feuding families.

Clement Crisp

Simon Rattle

FESTIVAL HALL

Simon Rattle took a sabbatical from the City of Birmingham Symphony last antumn, and the orchestra played under a whole roster of guest conductors. His return has brought the CBSO back to London on the kind of form that instantly transforms their concerts into special events. Their Festival Hall programme on Wednesday opened with a work that was a considerable rarity in concert until it became one of Rattle's party pieces – Schoenberg's orchestration of Brahms' G minor Piano Quartet.

The transcription has been hailed as the Fifth Symphony that Brahms never wrote, as if to underline the empathy with which Schoenberg carried out his task. Certainly Rattle gave it symphonic breadth and coherence, maintaining a grip upon the 40-minute span which never faltered. But the accuracy and vividness of the CBSO's playing drew attention to the myriad detail which Schoenberg added to his scoring – the touches which go well beyond the Brahmsian ideal of orchestration as instrumental blend. Here everything registered – the flecks of percussion, especially the 'spiels and 'phones of the finale, the emphasis on high-register wind, and the brittle transparency of the march section of the Andante, to which Rattle lent a manic Mahlerian intensity.

Certainly the quartet emerged larger than life, larger even, one suspects, than Schoenberg envisaged, and the same quality carried over into Janéček's *Glagolitic Mass*, another work which Rattle has kept at the very centre of his repertory. The soloists – Helen Field, Linda Hirst, John Mitchinson, Neil Howlett – are opera singers first and foremost, and in a work completed a year after *The Makropulous Case* and lacking all the appurtenances of a traditional sacred mass it made e considerable difference. Miss Field's implorations to the Kyrie, Mr. Mitchinson's interventions in the Gloria, were drawn from the opera house by Janáček, and rendered as such here.

Thomas Trotter's organ solos as much as Rattle's fierce provocations of the orchestra kept the temperature high. The brass and string playing was wonderfully assured; once again the CBSO has set a standard of excellence for its London counterparts to match as and when they can in 1989.

Andrew Clements

Schoenberg plus

FESTIVAL HALL

The South Bank's "Reluctant Revolntionary" was to be heard in two Festival Hall concerts on Tuesday evening: by the visiting Royal Liverpool Philharmonic, and earlier by the organist Timothy Bond. Bond'a enterprising recital was a model; one of these days, more music-lovers than just the usual gaggle of organists onght to discover (against their prejndicea) that there is straightforward, effortless pleaeure to be had from the 6 o'clock Festival Hall recitals.

Bond displayed not only dramatic flair, an incisively clean tonch and a subtle ear for organ-colours, but a fresh knack for programme-planning. Schoenberg's op. 40 Variations on a Recitative – quasi-tonal, pnngent and astringent – are familiar only to Schoenbergians, and the posthumously published fragment of a Sonata (same year, 1941, and audibly close kin to the Piano Concerto) is quite ignored.

Instead of adjoining them to standard stuff, Bond turned to equally neglected pieces by one of Schoenberg's favourite composers. Though Brahms's posthumous op. 122 Chorale Preludes are widely loved, I confess I've never heard either the two organ pieces he actually published (one of them in the almost illegible key of *A-flat minor: seven flats!*) nor his remarkable pair of Preludes and Fugues from the mid-1850s, published only in 1927.

Those latter proved to be as multi-thematically contrapuntal as some of Brahms's most ingeniously wrought chamber music, and – under Bond's hands end feet – mightily effective on the organ.

With his Liverpool orchestra the condnctor Libor Pešek made less of Schoenberg's op. 31 Orchestral Variations, though his exemplary care for hues secured an unusually translucent sonnd. Op. 31 remains a stately, formal twelve-note exercise, I think: an unappetisingly tepid score despite its Impressionist moments, a couple of forcibly motorised variations and the "B-A-C-H"-ridden Finale.

There are too many fussy little "inner voices" – some sank here without trace – with nothing mnch to say. The scratchy string-writing got no cosmetic improvements, and even in the Theme itself the cellos sounded frayed.

In Mozart's evergreen Piano Concerto in A, K. 488, Stephen Hough was decently perceptive but brittle. His self-consciously Romantic *mezza voce* in the Adagio made too little counterweight to his bright, over-anxions qnick movements. Haydn's Symphony no. 85, "La Reine," enjoyed a cannier, more searchingly lyrical and better sprung reading under Pešek. Above all, he unfolded Berg's *Wozzeck* Suite – with Elise Ross as a finely committed Marie, decpite her dim German consonants, and ripe playing from the RLPO – quite beantifully, and with searing expressive force. We *must* hear him in the full-scale opera.

David Murray

The Woman in Black

LYRIC, HAMMERSMITH

At first glance this stage adaptation of Susan Hill's ghost story seems to have delighted in setting itself an insurmountable task. The atmospheric tale of a tragic haunting in bleak marshland is told by two actors assuming many roles between them and furnishing the stage with such imaginary properties as pony and trap, dog, and creeping sea-mist.

However, its unremitting grip on the attention, replete with anthentic scalp-tingling and those moments of shock that take an audience by surprise and result to giggles of relief and embarrassment, prove yet again that a gripping tale grippingly told is all you need to set the imagination racing. Radio drama has driven this home for years; even television producers now acknowledge that talking heads, their old anathema, are riveting if the talk is good enough.

But this is to underrate Robin Herford's production of Stephen Mallatratt's adaptation. Sound effects are used judiciously; slides are milkily projected on to drapes; cunning stage management sets empty chairs rocking as unsuspected rooms are revealed through gauzes. And no mocking thoughts of dry ice diminish the "sea-fret" that coils evilly over the front stalls.

The story's framework is faintly contrived. A middle-aged solicitor comes to a younger man of the theatre for coaching in presenting a supernatural episode from his youth to an audience, thereby exorcising its nightmare grip. The two act it out, the young man impersonating the story-teller's younger self, and the solicitor, absorbed and often overcome by the memories, taking supporting roles.

The final twist, in the very last line, may be predictable; but my withers were rung, my spine chilled, I had been totally held.

I have not read the novel, but the adaptation observes an impeccable sense of period in the dialogue. In fact the careful formality of the language is almost *too* period for the sound-effects of motorised traffic, mentions of cars and (presumably) alectric light, the young man's wide, turned-up trousers. The re-enacted past displays a lovely gift for Dickensian pastiche, as in the description of a London pea-souper, and a Dickensian feel for the contrast between the cosy security of indoors and the harsh menace of the dark outside. But the overall impression recalls Henry James's *Turn of the Screw* in its restrained, correct first-person narration, sudden inexplicable apparitions, and slow teasing out of nuggets of a horrific past.

Michael Holt's design of an unset stage with a skip, a couple of chairs and a costume-rail, gives way to murky shapes and unexpected landscapes, like the human memory when probed, and is beautifully lit by Kevin Sleep. John Duttine as the yonng man playing out his elder's story, and Charles Kay, his primness melting as he relives his youth, give scrupulously stylish and beantifully jndged performances.

The play started life at Scarborough where its director is deputy to Alan Ayckbourn and evidently a talent in his own right. A rattling good story, powerfully told.

Martin Hoyle

ARTS GUIDE

January 20-26

OPERA AND BALLET

London

Royal Opera, Covent Garden. A new and skilful English-language version of Die Fledermaus by John Mortimer is introduced to the house in John Cox's (also new) staging, with a first-rate cast (including Carol Vaness, Thomas Allen, Dennis O'Neill, Lillian Watson and Griff Rhys Jones) but a less than sparkling conductor in Adam Fischer. Further performances of Nuria Espert's Madama Butterfly production, new this season. Yoko Watanabe, Mario Malagnini, Thomas Allen, and Anne Mason take over the leading roles, and Mark Ermler conducts. (240 1066, cc 240 1911)

English National Opera, Coliseum. The first British performances of Aribert Reimann's Shakespeare adaptation, Lear, a 1970s opera already seen throughout Europe and in the US. Monte Jaffe takes the title role, the cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas and Rodney Macann, and the conductor is Paul Daniel. The production is borrowed from Krefeld. The 1977 production of La Bohème is revived with an uneven cast headed by Rosamund Illing, David Rendall, Anthony Michaels-Moore and Nancy Gustafson. Further performances of The Mikado in Jonathan Miller'e sparkling updating. **The Royal Ballet, Covent Garden**, presents Natalya Makarova in Romeo and Juliet on Jan 20, then domestic casts on Jan 25.(240 1066)

Paris

Chatelet. Ballet Antonio Gades to *Manuel de Falla's music* danceEl Amor Brujo (40282828). **Palais des Sports.** Spain's national ballet brings colour and afiery temperament with its 70 dancers and 250 costumes under the artistic direction of Jose Antonio (bookings 48284090, info48284046).
Opéra Comique. Jean Baptiste Lully's Atys, the Grand Siècle in all its splendour, received the Grand Prix de la Critiquein 1987. *Salle Favart* (bookings 47425371, info 47426750).

Vienna

Staatsoper. In repertory: La Bohème conducted by Elio Boncompagni and sung by Gabriela Benackova Cap, Eugenia Moldoveanu, Francisco Araiza and Manfred Hemm. Chowanschtschina (premiere) conducted by Claudio Abbado, with Brigitte Poschner-Klebel, Joanna Borowska, Wladimir Atlanto.Cavalleria Rusticana conducted by Garcia Navarro with Gwyneth Jones, Wladimir Atlantow, Georg Tichy, Matteo Manuguerra.Pagliacci conducted by Garcia Navarro and sung by Patgricia Wisl, Nicolai Ghiaurov, Matteo Manuguerra.
Ballet. Dream Dances, conducted by Ulf Schirmer and Les Noces, conducted by Ernst Maerzendorfer. (Tel 51444. ext. 2660).
Volksoper. In repertory: Mignon; My Fair Lady; Der Opernball; Don Giovanni, Die lustige Witwe, Die Zirkusprinzessin. Ballet: Arthur Schnitzler und sein Reigen (51444, ext. 2662).

Berlin

Opera. Der Fliegende Holländer *stars Simon Estes, brilliant in* the title role. Das Mädchen aus dem goldenen Westen is revived with a star cast led by Mara Zampieri, Placido Domingo, Uwe Peper and Peter Gougaloff. The fine new GötzFriedrich production of La Bohème is sung by Catherine Malfitano (Mimi), Antonio Ordonez (Rodolfo) and GwendolynBradley (Musetta).

Hamburg

Opera. Der Troubadour has a first-rate cast led by Linda Plech, Bruna Baglioni, Eva Maria Tersson and Lando Bartolini. Peer Gynt, choreographed by John Neumeier and specially composed for the Hamburg Opera by Alfred Schnittke, will have its world premiere this week. Don Pasquale features Hellen Kwon, Urban Malmberg and Kurt Streit. Die verkaufte Braut with Linda Plech, Eva Maria Tersson and Kurt Moll rounds off the week.

Cologne

Opera. Die Fledermaus stars Tope Kruse, Josef Protschka, Gabriele Fontana and Carlos Feller.

Frankfurt

Opera. Rigoletto is well performed by Anne Dawson (Gilda), John Rawnsley (Rigoletto), Vinson Cole (Duca), Margit Neubauer (Maddalena) and conducted by Gary Bertini. William Forsythe's musical Isabelle's Dance returns. Rolf Liebermann's Opera der Wald is newly produced by Adolf Dresen.

Stuttgart

Opera. Philip Glass' opera Satyagraha in Achim Freyer's production is revived with Yasuko Kozaki, Carmen Mammoser, Jerrold van der Schaaf and Wolfgang Probst. Madame Butterfly, sung in Italian, features Awilda Verdejo, Helene Schneidermann, Michael Sylvester and Tero Hannula.

Amsterdam

The Netherlands Opera. Production of Ariadne auf Naxos by Richard Strauss, directed by Graham Vick. Stephen Barlow conducting the Netherlands Philharmonic, with Rita Cullis as Ariadne, Jeanne Piland as the Composer and David Griffith as Bacchus (Sat, Tue).(255 455)

Rome

Teatro Dell'Opera. A revival of the 1964 Visconti version of Mozart's Le nozze di Figaro by Alberto Fassini, conducted byDonato Renzetti (Fri, Sun, Tues, Thur). The cast includesElisabeth Norberg Schulz, Adelina Scarabelli, Clarry Bartha, Claudio Desderi and Mario Bolognesi (46.17.55).

Milan

Teatro Alla Scala. Luca Ronconi's complex production of Weber'sOberon, with 43 scene changes and recitative in fivelanguages, conducted by Seiji Ozawa. The cast includes Elizabeth Connell, Philip Langridge and Micheal Pabst, with the Warsaw Philharmonic Choir (Thur) (80.91.26).

Genoa

Teatro Margherita. Winter season opens with Turandot conducted by Daniel Oren, with a fine cast: Ghena Dimitrova as Turandot, Nicola Martinucci as Calaf, Cecilia Gasdia (alternating with Marion Vernette Moore) as Liu, Angelo Casertano (Altoum) and Roberto Scandiuzzi as Timur (Fri, Sun, Wed) (589.329).

New York

Metropolitan Opera House, Lincoln Center. Julius Rudel conducts Die Fledermaus with Barbara Daniels as Rosalinde, Helga Dernesch as Prince Orlofsky and Allan Glassman as Alfred. Bluebeard's Castle continues with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monodrama Ewartung where Jessye Norman sings the Woman. James Levine conducts both. Aprile Millo sings Aida, with Vladimir Popov as Ramades and Alain Fondary as Amonasro, conducted by Christian Badea (362 6000).
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Washington

Washington Opera, Eisenhower Theater, Kennedy Center. Paul Lustig Dunkel conducts Albert Takazauckas's production of The Postman Always Rings Twice, composer Stephen Paulus's 1982 adaptation of James M. Cain's novel of passion and violence. Pamela South is Cora and Timothy Nolen sings Frank in this Washington premiere. Theodore Baerg continues as Figaro and Ruth Ann Swenson as Rosina in The Barber of Seville, as directed by Leon Major and conducted by Joseph Rescigno (254 3776).

Chicago

Lyric Opera (Civic Opera House). Tancredi enters the company repertoire for the first time in John Copley's production with Marilyn Horne in the title role, Chris Merritt as Argirio and Jan Galla as Orbazzano, conducted by Bruno Bartoletti. Susan Dunn plays Aida to Giuseppe Giacomini's Radames in the last seasonal performances of Nicolas Joel's production conducted by Richard Buckley (332 2244).

Tokyo

Yuzuru (Night Crane). Opera by the contemporary Japanese composer, Ikuta Dan, which was premiered in 1952 and has now been performed 500 times. This new production is conducted by the composer. Shinjuku Bunka Centre (Wed, Thur) (572 4311).

FINANCIAL TIMES
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Friday January 20 1989

Demands on a President

IN SPITE or because of a wilful disregard for many of the cares of office, Ronald Reagan leaves the institution of the presidency of the United States in better shape than it has been for 25 years. But Presidents cannot be cloned. It is already apparent that George Bush is very different from the man he succeeds, as is the world which he surveys in 1989, compared with that of 1981. So what does America and the world expect of him?

During the progressive disengagement of his second term, Mr Reagan was, in reality, more monarch than chief executive. The American public discovered, surprisingly after 200 years of living in a republic, that it quite liked this. He survived scandals and troubles of a magnitude comparable to those which undid Presidents Johnson, Nixon and Carter, thanks to his personal qualities, above all his patent lack of self-doubt, and, more important, to the mood of the country.

National moods matter and come in cycles, like the political swings between left and right. In retrospect, the Reagan presidency came to resemble most that of Eisenhower, not, as it promised initially, that of Franklin Roosevelt. Both came to office after periods of war and national introspection; both delegated heavily, not always wisely ; both were fortunate to preside over periods of economic prosperity. Above all, both principally reassured at a time when the nation needed it.

Ideological revolution

While Mr Reagan did effect something of an ideological revolution in his first term, notably on the fiscal front, it did not last, as it has in Britain. More remarkable was how, in his second four years, he discarded in practice many of the principles he brought to office, without ever admitting as much: in social policy this greatly disappointed his hard-line conservative supporters.

It can be argued endlessly whether his policies of "peace through strength" actually induced the Soviet Union to change its ways, as he would claim, or whether the light years of difference between Brezhnev and Gorbachev are essentially a Russian phenomenon. But the fact remains that Ronald Reagan ended up dealing with "the evil empire," to the point that his successor has inherited a far more optimistic world scene.

It is still littered with Reagan failures, as in Central America, unfinished business, in the Middle East, and challenges yet to be faced, most obviously on the future of Europe, East and West. Mr Reagan has also bequeathed Mr Bush a huge problem of economic management in reducing the budget deficit, an apparent decline in the country's industrial competitiveness and a social fabric in some disrepair.

Judicial legacy

There is, however, no sense of restlessness or of social injustice in America today comparable to that already evident by the end of the Eisenhower presidency, which gave way to the Great Society at home and to foreign policy activism, the apotheosis of which was the Vietnam war. The Reagan judicial legacy, unlike Eisenhower's, is to conserve, not initiate. For all Mr Bush's talk of a "kinder, gentler nation," there is little in his record and little apparent inclination in this Congress to pick up the banner of reform, unless forced to.

Equally, in foreign policy, Mr Bush's past, the people he has already appointed and this week's suitably sober and realistic testimony by Mr James Baker, the Secretary of State-designate, all point to a preference for management and a recognition of interdependence, which can only be welcome and which will certainly be tested. It also seems in tune with national sentiment, now unimpressed with cavalier interventionism and more interested in burden-sharing.

But hands-on involvement by a President, in the Carter manner, is not enough. Nor can Mr Bush be king like his predecessor, because the crown will not fit. He is therefore going to need to convey a sense of where he and his country are going. This applies as much at home, where the "feel good" years must surely end soon, as it does overseas, in putting flesh on the bones of a new world order no longer dominated by the dictates of superpower rivalry, nuclear and ideological. In all this, he will also need a commodity that Mr Reagan had in abundance but cannot bequeath; it is called luck.

Priorities in EC farm policy

THERE IS SOME good news in the latest proposals from the European Commission on farm reform. The proposals cover the prices farmers might receive from next harvest. In so far as they continue the financially restrictive policies followed since last February's summit, when the Community's heads of government put a ceiling on farm spending, they are to be welcomed.

However, the proposals themselves have not yet been accepted by member states. More important still, even though the so-called price fixing negotiations will preoccupy farm ministers for many weeks, they will do precious little to advance the reform of international agricultural trade. Lack of agreement is threatening the Uruguay round of talks under the General Agreement on Tariffs and Trade.

The Commission's proposals, introduced by the new Agriculture Commissioner, Mr Ray MacSharry, continue the two-pronged approach of his predecessor, Mr Frans Andriessen. This involves a squeeze on farmers' prices, as well as a number of associated measures aimed at ensuring that the common agricultural policy's support system operates only as a safety net, rather than as an alternative risk-free haven for untradable commodities.

Cutting costs

The principal aim remains that of cutting costs: from taking some two thirds of the total EC budget in 1987, agriculture is expected to account for only around half in four years' time. In the year since the EC summit, the farm budget has indeed been kept within target, but this is due not so much to Community action as to the diminished need for export subsidies following the boost to world prices from last year's North American drought.

The immediate danger as the price fixing negotiations proceed is that farm ministers, still all too prone to tunnel vision, will argue that the budget savings should be passed on to farmers. Perhaps to try to forestall such a move, Mr MacSharry, launching the proposals, pointed out that last year's drought-induced savings were exceptional and unlikely to be repeated. He also noted that despite the previous cuts in farm prices – which the EC claims have amounted to 25 per cent for cereals over the last four years – farmers' incomes across the Community have actually increased in real terms by between one and one and a half per cent.

However, even if Mr MacSharry manages to persuade ministers to accept his package in toto, it will do little to convince the rest of the world that the EC is really in earnest about negotiating far-reaching reforms in agricultural trade. The critical need now is for some real movement within the Gatt negotiations. These have been stymied so far because the US has demanded the complete removal of all agricultural production and trade subsidies, while the EC has put forward piecemeal and short-term measures which only nibble at the edges of the problem.

Cost without benefit

The problem itself was graphically decribed at a conference on the Gatt talks, held earlier this week at London's Royal Institute of International Affairs, as one of excessive cost for virtually no benefit. It was estimated that the direct costs and consumer transfers involved in agricultural subsidies for the OECD countries amounted to Ecu 240bn (£153bn) in 1986, with the EC share of this total set at one third. This is clearly burdensome not just for governments, taxpayers and consumers, but also for farmers, who themselves receive comparatively little of such huge sums.

It is good that the Commission has produced financially restrictive price proposals; member states should not try to water them down. But it is even more vital that the Commission – which has very full powers in this respect – should now go on to produce realistic proposals designed to break the impasse on farm reform within the Gatt.

Nick Garnett looks at the rapidly changing shape of the power engineering industry

The hectic scramble for partners

"YOU COULD have drawn up a list in 1980 of 14 European companies and some others elsewhere in this industry that were doomed," says the chief executive of one of the world's leading electrical companies. "Well, many of them are now disappearing into bigger groupings or are simply exiting the business. It has really happened."

In little more than 18 months the whole structure of power engineering, one of the most conservative of industries, has been ripped apart by mergers and joint ventures.

Formerly, the landscape was dotted with fiercely independent companies masquerading as impregnable behind their own national boundaries. Now six or seven giants are emerging, hoping to dominate the market for power station and electrical distribution equipment.

Another clutch of important deals in the last few weeks underlines the turbulence in this competitive, cyclical industry.

General Electric (GE) of the US announced two marketing joint ventures in switchgear with Japan's Fuji Electric. Asea Brown Boveri (ABB), the Swiss/Swedish group, last week created a number of joint businesses with Finmeccanica, the Italian state-owned equipment group.

In the biggest of the recent deals, Britain's General Electric Company (GEC) put its heavy engineering operations, including power engineering, into a joint company with Alsthom of France. This week, Combustion Engineering of the US said it was negotiating the pooling of its boiler business with Alsthom.

"What has not happened in 50 years has happened in less than two," says Percy Barnevik, chief executive of ABB, which is now the world's largest power engineering supplier. "It is amazing but, I think, predictable."

The emerging big power plant groupings include just three main ones in Europe – ABB, GEC-Alsthom and Siemens of West Germany – together with four elsewhere. These are GE in the US and the three main Japanese equipment suppliers: Mitsubishi, Toshiba, and the smaller Hitachi. Two of the three European groupings also have tentacles deep into the US power equipment industry.

Along with this, a long list of losers, mainly in Europe, has been rapidly unfolding. Virtually the whole of the Italian power equipment industry has been parcelled up and divided out. West Germany's second power engineering company, AEG, looks as if it is slowly leaving the industry. Belgium's main equipment supplier has been carved up and sold off. Most of the independent suppliers in Norway and Finland have been absorbed, along with chunks of the Spanish industry.

At the same time, Westinghouse, the number two US supplier, appears to be retreating into its nuclear business while easing out of more conventional equipment. "The whole map is being redrawn and redrawn very quickly," says Bob Davidson who will be second in command in the new GEC-Alsthom business.

There are several reasons for these dramatic developments:

- The world export market for power equipment has suffered a precipitous decline. In 1981, 37,000 Megawatts of steam turbines (above 20MW power) were ordered, slumping to 7,600MW in 1985 before picking up in fits and starts to 11,000MW last year.

This is an indication of the collapse in demand for all the key components of power supply: turbines which create power to drive the generator; generators which convert horsepower into electrical power; transformers which alter the voltage prior to distribution; and switchgear which controls the transmission of power. The fall-off in worldwide orders has resulted in fierce price competition and more loss-making contracts.

- Rapidly rising costs of developing new equipment and the need to find economies of scale.

- The growing importance of gas turbines for smaller "combined heat and power" (co-generation) stations. This has led to several sub-plots in the industry (see below) as big and small companies scramble to broaden their gas turbine range.

Co-generation stations are cheaper to build than conventional stations, an important factor in countries where power supply is being deregulated, like the UK. Gas turbines are also up to 11 percentage points more thermal-efficient than coal-fired stations, can supply heat and power separately, and suit the present mood on environmental conservation by being non-sulphurous.

- The approach of 1992 in Europe has had an unsettling effect. No one believes national barriers will come down completely for power engineering. "Big power plant projects will not cross boundaries easily," says Mr Davidson. The strategy of the new groupings is to possess manufacturing plants in the main regional markets in case Europe does not open up; but if it does, to have the potential to lower costs through rationalisation.

There is a widespread belief that equipment suppliers can charge up to 30 per cent more in protected domestic markets than in open competition. Some suppliers deny that this pricing differential exists; but if it does, it is an important cushion which might eventually disappear.

- Most important, the spark to ignite all this activity was the merger announced in August 1987 of Asea of Sweden with Switzerland's Brown Boveri. This group has been a magnet for a web of takeovers and joint ventures, giving it an overall business with total sales, in power and other activities, of around $22bn (£12.5bn) and 200,000 employees. Headquartered outside the European Community, it has big production facilities in two EC markets, West Germany and Italy.

This development so unnerved everyone else that a big scramble for partners immediately followed. The most spectacular response has been the merger of GEC's power systems group with Alsthom. This business will have total sales of around £4.1bn and 85,000 employees – with more to be added from the boiler operations of Combustion Engineering.

These two new groupings in Europe, both with joint venture deals in North America, have very similar products. But GEC-Alsthom has a broader spread in gas turbine technology and boilers, while ABB is bigger in high voltage switchgear.

No one believes the barrage of deals is over. And several questions remain unanswered. First, what will Siemens and GE do in response to all this?

Siemens is negotiating with AEG to merge with or absorb its fellow German company's much smaller activities in gas turbines and switchgear. But Siemens, which has a very wide product range, is losing in the battle for bulk.

Based on industry figures, Siemens has power generation sales of £650m as against £1.5bn for GEC-Alsthom and £1.1bn for ABB (excluding joint ventures which would lift ABB above GEC-Alsthom.) In power transmission and distribution it has sales of £600m as against £1bn for GEC-Alsthom, and £1.7bn for ABB (again excluding ABB's joint ventures).

GE is tremendously powerful worldwide in gas turbines, and in North America in other equipment. But its relative presence has been reduced. GE had wanted a bigger deal with GEC. It also had long talks last year with Siemens which came to nothing. Some in the industry expect those talks to resume.

The second question is: will these new groupings work?

"One thing weaker than a small company is two big companies merging and not rationalising," says Mr Barnevik. The task of doing that is enormous, particularly for ABB which is committed to reducing costs by 20 per cent. The ABB group now incorporates 870 companies and 1,500 production plants. It is finding the process of rationalisation long and hard.

A sceptical view is held by Terry Harrison, chairman of Britain's Northern Engineering Industries and the largest and most complete equipment supplier among the smaller companies left in Europe. "I have doubts about whether some of these large groupings which are being put together will survive," he says. "They are so big and amorphous. I remain convinced that being competitive is the road to success and that is the road we are following."

The third question is: will smaller companies still be able to take big contracts from under the noses of these giants?

Apart from NEI, Europe still has a number of such companies, such as the state-owned Elin in Austria and Holec, the Dutch switchgear maker. There are also a range of civil and heavy engineering companies keen to build co-generation plant. In the UK these include Hawker Siddeley and Trafalgar House's John Brown subsidiary. These companies will certainly pick up orders for smaller stations though they will have to buy some equipment from the larger groups.

Finally, will even seven big groupings eventually prove too many?

Domestic demand is falling in Japan, which could lead to some rationalisation in that country. GEC estimates that world export demand for turbine generators will rise to about 16,500MW by the 1990s. That is still only half 1981 levels.

If this proves over-optimistic and there is a big move in mature markets to co-generation plant, partly supplied by smaller contractors, there could be an embarrassingly feeble amount of work around. No matter how huge a company's resources, it still needs orders to keep its factories busy.

Power equipment

Major deals in the past 18 months

ABB (Sweden/Switzerland)
Formed by merger of Asea, Brown Boveri.
Takes control of Franco Tosi and Marelli (Italy).
Joint ventures with Italian state owned Finmeccanica.
Buys AEG's steam turbine operation, (W.Germany).
North American joint ventures with Westinghouse.
Pools nuclear technology in Germany with Siemens' Kraftwerk Union.
Buys small industrial turbines business of ACEC (Belgium).
Possible joint venture with Mitsubishi (Japan).

GEC-Alsthom (UK/France)
Merger of Alsthom with GEC's Power Systems.
GE (US) to take 33 % stake in Alsthom-GEC gas turbine business.
GE's Cogemec low voltage switchgear business (Italy) put in with Alsthom-GEC's Vynckier (Belgium).
Alsthom purchases most of ACEC.
Combustion Engineering (US) joint venture with Alsthom-GEC in boilers.

Siemens (W.Germany)
Discussing joint venture/absorbtion of AEG's gas turbine, switchgear interests.

GE (US)
Marketing joint ventures in Far East and Middle East with Fuji Electric (Japan).
Joint venture in heavy transformers with Westinghouse.
Changes to long-standing deals with GE affiliates on gas turbine technology, components.

Mitsubishi (Japan)
Sells gas turbines to Northern Engineering Industries (UK) for marketing.
Sale of medium voltage switchgear technology to NEI.
Talks with ABB and Framatome.

Framatome (France)
Talks with Westinghouse fail.
Talks with Babcock and Wilcox on nuclear joint ventures.

NEI (UK)
Merger talks with Rolls-Royce fail.
Sells 35% of boiler business to Combustion Engineering.

Growing importance of gas turbines

A THEME in the industry is consolidation of control in the supply of gas turbines. This is a type of engine likely to become more important for power stations. Its development costs are very high.

Half of all gas turbines in commercial power stations and industrial power plant are designs from General Electric of the US which manufactures machines up to 150MW. GE has had good technology, tightly controlled licensing arrangements and great marketing strength in a product where the entry cost is high.

Most of the units for power stations are GE's industrial turbines rather than aero-engine derived units. GE has a number of long-standing affiliate companies building GE-designed gas turbines, including Alsthom and Britain's John Brown.

Two other groupings in gas turbines are Mitsubishi-Fiat-Westinghouse and Siemens. The latter, which makes units of 60MW to 160MW, is negotiating the purchase of AEG's gas turbine business.

However, the two new alignments challenging GE are ABB and GEC-Alsthom. ABB makes units from 8MW to 150MW. It has been filling in gaps in its range in deals with Solar of the US and the Swiss company, Sulzer. It also has a deal with Turbomach of Switzerland on supplying machines in packages. ABB has virtually no technology in aero-engine derived gas turbines (as against industrial) but now has a technology co-operation deal with Rolls-Royce in this area.

The merger of GEC's Ruston gas turbine business with Alsthom's much larger interests has created an operation with sales of $720m (£410m). GE has taken a one-third interest in this. This new group, which has access to industrial and aero-engine derivatives, makes units from 19MW to 200MW. Alsthom contributed the bigger units suitable for power stations. The 200MW engine is being developed by Alsthom from an original GE design.

Mitsubishi has found an inroad into the European market following a deal to supply gas turbines to NEI.

Big day for swearing in

■ This is inauguration day in Europe as well as the US, the first time, I think, that the two events have coincided and the Americans, of course, have been at it for longer.

The new European Commissioners will be sworn in almost at the same time as George Bush officially becomes US President. The European ceremony, however, is much more low key: so low key, in fact, that some of the people who have been through it can scarcely remember what happened.

There is a myth that you take an oath, not on the Bible, but on an original copy of the Treaty of Rome. In practice, there is simply a rather short "Solemn Declaration." The key words are about the "complete independence" of the Community, and there is a pledge "neither to take nor to seek instructions from any other body."

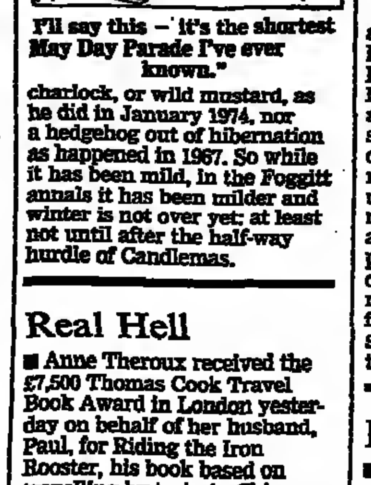
The ceremony takes place in the presence of the judges of the European Court in Luxembourg who, one ex-Commissioner says, wear "black velvet French chef's hats." The declaration is made in your own language; Ray MacSharry, the new Irish Commissioner, will make it in Gaelic which, although not an official Community language, is a language of procedure in the court.

One British two-term Commissioner says that it is like a registry office, rather than a church wedding, or like taking a degree at a 1960s university rather than Oxbridge. He cannot recall whether his wife was present. Afterwards they all drink champagne.

$5 a word

■ Wa have said before that the Amex Bank Review Awards are an enticement to journalists. This year's are even more so. The top prize is going up to $25,000 (from $15,000) and the total prize money from $45,000 to $65,000. Candidates are invited to submit an essay on "any subject in international economics of current relevance to financial markets": length about 5,000 words and deadline June 30. Joint authorship will now be permitted. Raymond Barre, the former French Prime Minister, is rejoining the Award Committee, and the competition is in memory of Robert Marjolin, a founding father of the European Community and first Secretary General of the OECD.

OBSERVER



I'll say this – it's the shortest May Day Parade I've ever known."

Turning cold

■ Candlemas Day on February 2 is a crucial guide to to the weather during the rest of winter, according to Bill Foggitt, the Thirsk weather man who says: "If Candlemas Day is cold and clear, there'll be two winters in that year."

Foggitt thinks the run of mild weather is coming to an end anyway and recalls the harsh winter of 1947 when people had to dig tunnels through the snowdrifts which lasted until April. "It was mild that year up to January 20, but that ended up being one of our worst winters on record."

He has recorded one day in Thirsk this month when the thermometer reached 51 deg F on January 8, not quite a record – his best January temperature was 58 F on January 18 1932, although he notes that the temperature reached 62 F during January 1916 in London.

He says the mild spell has brought out the buttercups and the celandine in Thirsk and the crocuses, snowdrops and aconites are well advanced. He has not seen any charlock, or wild mustard, as he did in January 1974, nor a hedgehog out of hibernation as happened in 1967. So while it has been mild, in the Foggitt annals it has been milder and winter is not over yet: at least not until after the half-way hurdle of Candlemas.

Real Hell

■ Anne Theroux received the £7,500 Thomas Cook Travel Book Award in London yesterday on behalf of her husband, Paul, for Riding the Iron Rooster, his book based on travelling by train in China. If she had been asked to speak, she would have read a message from Paul, who was stuck in California.

It went: "I have always liked these lines spoken by Ulysses: 'Neither fondness for my son nor reverence for my aged father nor the debt of love that should have cheered Penelope could conquer in me the lust to experience the far-flung world and human vice and bravery.' This is not the Ulysses of Homer or Shakespeare or Tennyson. It's Dante's Ulysses speaking from the depths of hell. So I suppose you could say I have been forewarned. But this prize will be some compensation for that. Thank you very much."

Theroux's next travel book, says his wife, may be based on going round the South Pacific on a kayak. Paradise at last, or real hell?

Eurorecords

■ 1988 was the year of the European Commission's 1,000 decisions. According to the lady who processes the press releases, the Brussels authorities made a record 1,033 official announcements last year. The previous high was 749 in 1986, a particularly busy year: the average in the early 1980s was in the low hundreds.

It is the campaign to build a single internal market that has taken the numbers up. Of last year's total, 153 were full legislative decisions made by a meeting of the 17 Commissioners (printed in all nine official EC languages), while the remaining 880 were mainly routine announcements (normally in just two languages) about the enforcement of competition and farm policy, official visits and such. At its last meeting before Christmas, the full Commission made 34 decisions, a record for a single sitting.

Petrol drinker

■ Users of American Express cards will have noticed that some firms simply write "goods" on the form for what has been purchased rather than anything more specific. Balls Bros, a chain of wine bars in the City, has become more metaphorical. A colleague who wined and ate at one of them recently found that the printed statement on the form said simply: "Fuel."

POLITICS TODAY

A kinder, gentler budget surplus

By Joe Rogaly

The world will be watching President George Bush today. How will he follow President Reagan's amazing eight-year act? There is no danger that the audience will fall asleep, for an inauguration always sets the blood racing.

With any luck, the new President's first speech will refer back to the affirmation he made at the Republican convention in New Orleans last August, when he spoke of a "kinder, gentler" America. Whether or not he repeats those words, Mr Bush will be obliged to pursue such a line, since the Democrats control Congress. US voters began to reject conservative Republicanism in the mid-term elections of 1986. They did so again last November.

The same sort of thing would happen here, if it could. A clutch of opinion polls suggests that Thatcherite conservatism is not, in itself, particularly popular in Britain. The Tories win elections because they have delivered prosperity to many and seem to be more competent than the hopelessly divided opposition. Yet many of their ideologically-driven social policies would be rejected by an independent legislature, if there was one.

Of course it should be easy for President Bush to talk about concern for the poor. As everyone knows, he has no serious money to spend. Washington's task is to reduce its budget deficit; the US version of the welfare state, which has just about survived the Reagan years, will have to be put on hold for a while longer.

The British Government has no such excuse. Mr Nigel Lawson, the Chancellor of the Exchequer, has begun to pile up surpluses at a rate that should earn him the Arnold Weinstock award for cash mania. It is reasonable that some of this should be spent on reducing the national debt. (Lord Weinstock, at Britain's General Electric Company, would shudder at the equivalent interest payments if his corporation had to make them.) It is also reasonable that Mr Lawson should return some of the surplus as a dividend to taxpayers, while allowing for increases in social spending. He has done all that. There is, however, growing force behind the argument that the Government has struck a balance that is, shall we say, *inconsistent with the development of* a "kinder, gentler" Britain.

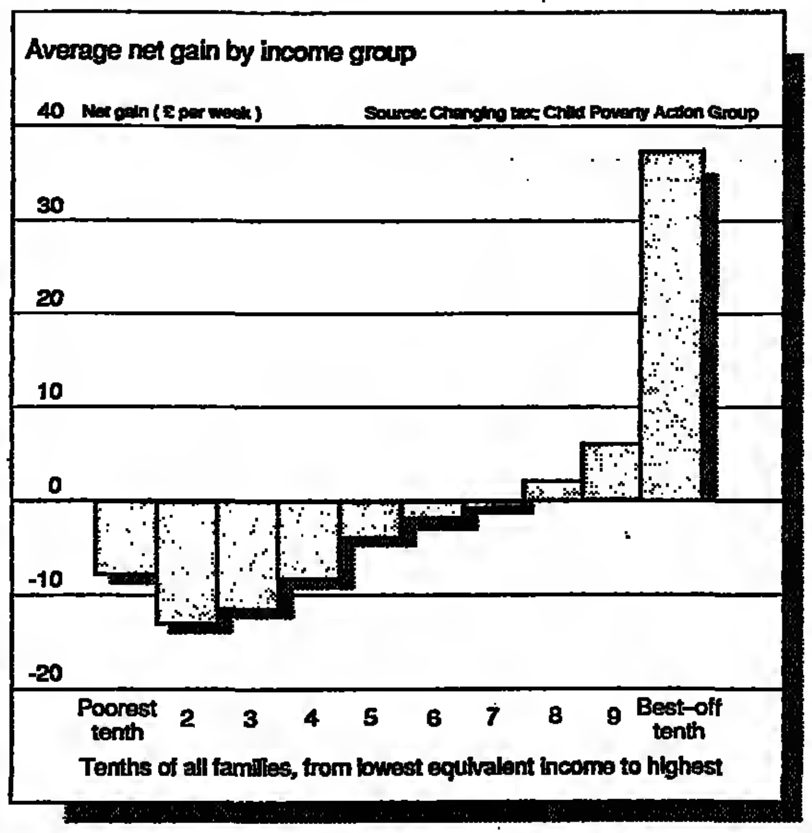
The first test of whether Mr Lawson is susceptible to this argument will come when he presents his sixth Budget on March 14. The net effect on income distribution of a decade of Thatcherite government is shown in the chart. The rich have prospered at the expense of the poor. This has been calculated on a microcomputer model of the tax and benefit system designed at the London School of Economics. It shows the differences between the 1988-89 tax and benefit structure and what would have happened if the 1978-79 Labour package – 83 per cent top tax rates and all – had been indexed against the growth in national income. This set of assumptions has been made by Mr John Hills in his booklet, Changing Tax, published by the Child Poverty Action Group yesterday*. It is certainly no more tendentious than the 19th edition of Social Trends, published by the Government Statistical Service yesterday**. Social Trends' early volumes sought to show where the welfare safety net was failing; to my eye the latest edition would not recognise an adverse social trend if it tripped over one.

One predictable response to Mr Hills' chart is that if the punitive higher rates of tax had not been reduced, the growth in national income would not have occurred. This could be countered with a string of statistics showing that, taking Britain's postwar performance as a whole, the post-1979 Tory growth record is by no means as impressive as the Government's selective presentation of recent figures suggests. For example, Mr Hills calculates that UK growth has averaged 2 per cent between 1979 and 1988, against 2.6 per cent between 1948 and 1979. You and I need not, however, pursue this potentially endless argument, for there is no need to restore the 1988 top rate tax cuts in order to relieve the pressure at the lower end.

Even Mr Hills' wish-list does not quite do that, although it postulates a 15 per cent surcharge on investment income exceeding £3,000 a year. He would have a zero-rate band for income below £2,605 (instead of personal allowances) and a graduated structure of income tax ranging from 22 per cent for incomes between £2,605 and £11,000 to 50 per cent for incomes above £27,000. National Insurance Contributions would be turned into a progressive tax; mortgage interest relief would be confined to the 22 per cent lowest rate, and various tax-free concessions would be removed. The £11bn thus raised would be spent on increasing the state pension, doubling Child Benefit and tickling other social payment rates. The picture of gainers and losers shown in the chart would be reversed, although not in a single year since, mercifully, the plan provides for a period of phasing-in.

In the real world there is no chance of any conceivable Chancellor of the next few years picking up such a package, let alone implementing it. That does not nullify the general direction of the "kindler, gentler" argument. Extra social spending and/or lower-rate tax cuts costing not £11bn but low single figures of billions could be accommodated without touching the 40 per cent top rate of income tax – if the Chancellor was willing to contemplate a smaller surplus, or a lower rate of repayment of the national debt, or a blip in the long-run graph showing a steady reduction of public spending as a proportion of gross national product. He also has plenty of scope to increase excise duties and broaden the base of value added tax.

The effect of direct tax and benefit changes since 1978–79



The question is, why should he do it? Social security spending, broadly defined, has risen by some £12bn in real terms since 1979. Surely that is enough? In fact just over a fifth of the growth is the product of a rise in unemployment; as that falls, so does spending. Most of the rest is demand-driven, as increasing numbers of pensioners attract higher payments, and the explosive growth in the number of divorces and illegitimate births leads to more applications at the social security counters. One-parent families are almost inevitably in need of income support. The Tories have increased basic social payment rates in line with prices; they quickly cut the link with earnings that they inherited from Labour. They are unenthused by universal benefits. Means-tested benefits are not a Tory invention, as any study of social security since 1948 will show, but the Thatcher Governments have warmly embraced the notion of "targeting".

This has helped favoured groups, especially the disabled and some families with children. But not all targets are hit, which goes some way towards explaining why there is so much visible abject poverty in parts of Britain's city centres in spite of that £12bn. The government looks through the end of the telescope labelled public expenditure, not the end labelled need.

It would be wrong to take this argument too far. This is acknowledged by the man who first made his name at the Child Poverty Action Group, the Labour MP Frank Field. A half-full House of Commons listened in respectful silence on Wednesday as he said that "one reason why the Conservative Party wins elections and the Labour Party does not is that, although many of our constituents have had a rough deal, the majority of the population have not. Until we take that point on board, we cannot make the point that the relative standards of living of families with children – whether they be rich or poor – have declined, compared with those of the childless or single."

His maverick's truthfulness was echoed by Sir Ian Gilmour, a Conservative as much out on a limb in his own party as Mr Field is in the Labour Party. "It is shameful not to have uprated child benefit in a year when tax benefit was showered on the rich," said Sir Ian, easing the pain with a languid-charming smile. "I also believe that it undoubtedly fiddles an election pledge. It has hit some of the least well-off people and it appears to have been done . . . not on the merits of the case but in pursuit of some obsessive dogma of curbing public expenditure."

Child Benefit is paid to every mother in the land, regardless of *income; as Sir Ian has said elsewhere,* it might have fared better under the present Government if it had been labelled, when introduced, as a tax allowance. It did in fact replace a previous allowance for taxpayers, as well as a previous income support payment for the worst-off. Family Credit, which is targeted, is reaching only about a third of those it is intended to help. This is a surprisingly high figure when you consider the 100-question, 16-page form that must be completed by claimants.

The truth is that many of us have been blinded by gold-dust. Most people in Britain are in fact better off in terms of disposable income than they were a decade ago. The glitter of success is upon us. Even today, the London Stock Market seems to be sensing a soft landing for the economy in 1989. The gold-dust storm does, however, obscure the fact that most people are not satisfied with the standard of publicly-financed services, such as education, health and transport. In some schools, hospitals and rail systems they are surely worse off. It also helps us forget that the poor have not gone away; they have just been written out of the press releases.

Mr Lawson is not a man who broods about such matters. Like the Prime Minister, his eyes are steadily focused on the banner labelled success. If pressed about the poor both of them would no doubt answer with a version of the trickle-down theory. As more and more people succeed, so more wealth trickles down to those left behind. This is a slow process at best. The Government could if it wished, speed it up.

**Changing Tax, CPAG, 1-5 Bath St London EC1V 9PY, £6.95*

***Social Trends, HMSO Books, £21.95*

LOMBARD

A cartel worth preserving

By Richard Lambert

CONSIDER, if you will, the following three assertions.

The act of buying a book can often provide a lot more pleasure than the act of reading the thing. *Not* buying a book, after spending half an hour browsing through it, is a liberating and positive experience. And finally: sensible people almost never go into a bookshop with a clear idea of what they intend to come out with.

If you can accept even a part of all this, then here is the good news.

You can love free markets and price competition and yet still feel good about the fact that the British book trade is run by a preposterous producers' cartel – one which prevents price competition in most areas and which, you would have thought, would have been blasted out of the water years ago. For the cartel has ensured the survival – so far, at any rate – of an extraordinarily diverse book trade in the UK, which produces roughly as many different titles annually as does the US, for a market one fifth the size of the US's book buying public.

The bad news is that the cartel is now under threat. Mr Terry Maher, chairman of Pentos, which owns the Dillons retail chain, has been saying for ages that he is going to bust it: now he claims he really, really means business.

He says that breaking the net book agreement will force publishers to be more efficient in all sorts of ways, by transferring power from the producer to the retailer and thence to the customer. It will make the whole business a whole lot more efficient, he argues, and of course he is right.

But in whose interest, apart from that of a few large retailers, is an efficient book trade? If that question seems out of place, take a look at the way books are sold in the United States. There, town after town is dominated by chains like that of the frightful B. Dalton group, selling the same – utterly predictable – range of books under the same boring marketing slogans all the way across the nation. Two minutes silence for the closure of Scribner's, rightly described by Observer yesterday as the most civilised book shop in New York.

No wonder book clubs are so popular in the US: many towns do not have a shop which anyone in their right mind would want to patronise. When going to a bookshop provides no pleasure, you might as well get the things through the post.

Far better to have an inefficient distribution system, which just about allows the incompetent, the eccentric, and the enthusiast to stay in business alongside the professional. Far better to have an inefficient system which provides the customer with an unpredictable and entertaining selection of titles to choose from, and which permits publishers (a pretty conservative bunch) to take the occasional flyer on new talent.

The price of all this is that best selling titles cost perhaps 15 or 20 per cent more than they otherwise might. Provided that you agree with my initial three assertions, it is a price that seems well worth paying.

What about the argument that lower prices and sharper marketing will bring more people into the bookshops?

Well, maybe: but remember that the main impact of discounting is felt on hardbacks rather than the much cheaper paperbacks. The level of literacy in a country which has a well diversified paperback sector (and what is, still, a reasonable public library system) is not going to be transformed by the ability to buy the short list for the Booker prize at a discounted but still substantial price. The real gainers will not be the people who have never bought a book before, but rather those big retailers whose marketing muscle allows them to negotiate the biggest discount.

I'm glad that my favourite bookseller has a hole in his cardigan, and stocks a weird selection of cartoon books alongside the latest best sellers, and lets me cash cheques, and doesn't look the least bit like Mr Maher. I'm happy to go to the supermarket for my baked beans, but leave me the corner shop for my books.

LETTERS

Economic forecasters gaze into the crystal ball

From Mr Glenn Hoggarth.

Sir, I was interested to read Martin Wolf's article ("Monetarism reborn," Lombard column January 13) in which he argues that monetarism is alive and well.

This view is based on the fact that Mr Tim Congdon, the monetarist, produced a forecast last February which quite accurately predicted the main economic indicators for 1988. However, it is difficult to see in what sense Mr Congdon's forecast of inflation of 6.5 per cent

% change end year-on-year

year	retail prices	M3
1984	4.8	10.0
1985	5.6	13.2
1986	3.4	20.5
1987	4.1	22.9
1988*	6.4	20.4

*November

is consistent with his view of the overriding importance of broad money.

Credit growth has played a part in the recent inflationary pressure, but this could not have been the main factor at play.

The table shows the annual movement of M3 – the usual measure of broad money – together with year-on-year increases in retail prices.

The central monetarist view, and the main reason why broad money used to be the focal point of the Government's medium term strategy, is that movements in the money supply will be reflected eventually in changes in the price level.

In recent years, annual monetary growth has been 20 per cent compared with an inflation rate of around only 5 per cent. It is for this reason that the Treasury no longer sets targets for broad money.

On top of this, monetary growth and inflation in 1986 was accompanied by a sharp *acceleration* in M3 growth, while the pick-up in inflation over the past two years has occurred at a time of steady, *but fast*, monetary growth.

The movement of price inflation over the past five years has mainly depended on the commodity and labour cost pressures, rather than on the broad money supply.

Glenn Hoggarth,
3-4 Tudor Street,
Blackfriars, EC4

The RPI is acceptable

From Mr D.R. Myddelton.

Sir, I support David Lea's argument (Letters, January 9) that it would be very damaging if public confidence in the Retail Prices Index were to be needlessly undermined.

More than a decade ago, when the debate about inflation accounting was raging, the Sandilands Committee criticised the RPI in its unconvincing attempt to justify its rejection of constant purchasing power accounting. But most people did not accept the Sandilands criticisms.

We still seem to be in the middle of the most ferocious period of currency debasement in the pound sterling's history; it is important to have a suitable means of measurement.

Of course nobody would pretend that the RPI is an absolutely accurate inverse index of the changing general purchasing power of money. There is no such index. The relevant question is whether the RPI is sufficiently accurate for most practical purposes. It is.

D.R. Myddelton,
Cranfield School of Management,
Cranfield, Bedford

Effect of tax cuts

From Mr D. Kerr.

Sir, In "Labour urges Lawson to change tack for Budget" (January 6) you mention Mr Gordon Brown, Labour's Treasury spokesman, making reference to "large tax cuts for the wealthy in 1988". Is it not time that this particular *canard* was now laid to rest?

Three amounts made up almost the entirety of the tax reductions. The largest (£2,570m) went to reduce the standard rate to 25 per cent. The second largest (£1,305m) was used to increase the personal allowances. Only the smallest amount of the three (£1,025m) went to reduce those tax rates over 40 per cent.

It is hard to see how £1,025m, a relatively small amount, "fuelled the unsustainable consumer boom" to which Mr Brown refers – or does he want all the 1988 tax reductions reversed, including the standard rate reductions and the increase in personal allowances?

D. Kerr,
The Royal Automobile Club,
Pall Mall, SW1

Reducing the incentive to pile on fertiliser

From Mr John Baize.

Sir, Your editorial "A new era for farming" (January 11) missed the mark on the root causes of the environmental degradation attributed to modern farming methods. In fact, you intimate that a reform of the common agricultural policy (CAP) could bring on even larger farms and further environmental damage. That would not be the case.

It is a fact that European farmers, on the average, use higher levels of fertiliser and agrichemicals than US farmers. This is not because European soils are less fertile than those in the US, or that the European Community (EC) is more infested with pests and diseases. Instead, the higher fertiliser and agrichemical usage is the result of the incentives to maximise productivity which stem from the EC's extremely high commodity price guarantees.

By guaranteeing EC farmers prices far above the world price for their production, the EC is raising the level of diminishing return for fertiliser and chemical usage. Obviously Italian farmers can afford to apply more inputs for growing soybeans for which they are guaranteed over $500 per megaton (million tons) than US farmers who are guaranteed only $175 per megaton for their soybean production. The same is no doubt true for British farmers.

The EC's surplus of grain also results from the same high prices guaranteed to EC farmers. By applying high levels of fertiliser and chemicals, EC farmers are able to boost their yields much higher than the world average. It is profitable because of the price guarantees afforded by the CAP.

But high grain prices force EC livestock and poultry producers to minimise their use of EC-origin grain in their feeds. No wonder there is a surplus of grain in the EC that must be disposed of by dumping it on the world market.

The best way for the EC to *foster less fertiliser and agri-*chamical usage is to "decouple" farmer income supports from production requirements. Farmers would still be assured of an adequate income while producing commodities for sale at the world price. The incentive to pile on fertiliser and chemicals would be instantly reduced. At the same time, EC livestock and poultry producers would start incorporating more grain in their feeds to produce better, more tender meat and poultry which they could profitably sell to consumers at a lower price.

As a side benefit of decoupling, some farmers might very well decide that it makes more sense to pocket their income support payments and sell their farms in East Anglia for housing. No doubt there would be ready buyers in the form of consumers who could better afford the homes because they would be paying less for food.

John Baize,
American Soybean Association,
1300 L Street NW,
Suite 960,
Washington DC 20005-4107,
USA

Meeting in Carlisle

From Mr Roger Corley.

Sir, Your editorial on 22 December on the problems of transport in London has been followed by a number of letters suggesting ways of ameliorating the problem. Almost all the suggestions would require strong government intervention in the free market.

However there is one non-interventionist move which this Government can make. This is, of course, to move their own meeting place out of London. Carlisle would be my suggestion. If the Government were to announce now that from a suitable date in the future (1992 would seem appropriate) the House of Commons would meet in a purpose-built hall in the North of England, there would be a voluntary move north of many associated activities and some of the worst effects of the Single European Market and the Channel Tunnel would be avoided.

Roger Corley,
51 Middleway, NW11

FINANCIAL TIMES
Friday January 20 1989

Fraud alleged at Chicago futures exchanges

By Deborah Hargreaves in Chicago

THE US Federal Bureen of Investigations is believed to have uncovered multi-million dollar frand at Chicago's futures exchanges as part of a two-year inquiry into the institntions' trading practices, according to newspaper reports.

The Chicago Tribune, quoting sources close to the inquiry, said yesterday that an undercover investigation was focusing on up to 100 brokers and floor traders at the city's two big commodity exchanges.

An FBI spokesman would neither confirm nor deny that an investigation was under way.

But Mr Anton Valukas, US attorney for northern Illinois, has stressed repeatedly that commodity frand and white-collar crime in Chicago's markets are among his top priorities.

In another futures fraud case earlier this week, Mr Valukas charged 18 former Chicago employees of First Commodity Corp. of Boston with racketeering and conspiracy. He said fraudulent practices were a widespread problem in the futures industry.

The Chicago Mercantile Exchange said it was preparing a statement.

Its larger rival, the Board of Trade, said it had received no official notification of any investigation.

Reports said that FBI undercover agents had gathered extensive evidence of repeated attempts by Chicago commodity traders to cheat customers.

Agents are understood to have obtained jobs at commodities firms where they used hidden microphones to record conversations in noisy exchange trading pits.

If arrested, traders accused of regularly defrauding customers could face charges under the Racketeering Influenced and Corrupt Organisations Act (Rico). Rico has recently been used in insider trading cases on Wall Street.

The exposure of widespread fraud in Chicago would severely shake investor confidence in the city's futures markets.

In the pest, Chicago's exchanges have strongly defended their policing practices and resisted increased regulation of their free markets following the 1987 stock market crash.

Twice bitten, Germany pre-empts inflation

Andrew Fisher reports on the historical rationale for the Bundesbank's caution

ARE West Germans neurotic about inflation, allergic to price rises, over-anxious about maintaining the value of their money? Or do they simply show a healthy concern for stability in a country where people have had their savings and financial wealth wiped out twice this century?

As concern about potential price increases grows in the only industrial country which avoided double-digit inflation in the 1970s, these are questions of more than passing interest. Yesterday'a rise in key German interest rates was prompted to a great extent by concern over price trends.

By past standards, inflation is minimal. But the facts of history are vivid to the Germans. Even outside the country, 1923 is still regarded as a shuddering reminder of where unchecked inflation can lead. Near the end of that year, one dollar was worth 4,200bn Reichsmarks, a tram ride cost 50bn marks, and a litre of milk 360bn marks.

The country was again hit by rampant price risea after the Second World War. Then came the 1948 currency reform which created the Deutschemark, one of the world's strongest currencies.

Today, few Germans remember the painful economic events of the 1920s, which helped pave the way for Hitler's rise. Bnt they have entered the collective memory and so, notes Mr Norbert Walter, senior economist at Deutsche Bank, "become institutionalised." As a result, the inflationary pain threshold is much lower in Germany than elsewhere.

In Germany, he reckons, people are uncomfortable with inflation above 3 per cent. In Britain, concern is likely to start over 5 per cent. Latest inflation figures show a rate of only 1.6 per cent for Germany against 6.4 per cent in the UK.

Citing the need to dampen emergent inflation, the Bundesbank, the West German central bank, has tightened its monetary policies to avoid harsher action later.

After announcing the tighter approach in December, Mr Karl Otto Pöhl, president of the Bnndesbank, admitted that Germany was rather more demanding than other countries in what it termed non-inflationary growth. Speaking in New York in late 1987 after the stock market crash, he asserted: "We are not neurotic on inflation."

But the continued overshooting of money supply targets increased the risk of jeopardising credibility.

The target was again overshot in 1988, with growth of nearly 7 per cent comparing with a desired 3-6 per cent range. For 1989, a goal of "about 5 per cent" has been set, the looser definition implying some flexibility. If the central bank had kept to its own strict definition, it would have fixed a 3 to 5 per cent range to accommodate economic growth and inflation, a course which the stability-minded Mr Helmnt Schlesinger, the depnty president, would probably have preferred.

Either way, the Bundesbank has committed itself to stopping high liquidity from fuelling inflation as demand for German goods pushes industry against capacity limits. Companies are investing heavily in new equipment, but it will take time for this to enhance capacity.

Also, industry's amplified profits after a successful year, especially in export markets, could prompt higher wage demands. Long-term wage deals apply for much of industry. But new claims will be made next year for some 40 per cent of employees.

Moreover, the long-term deals also include agreements for shorter hours. Thus the total amount of hours worked will be about 1 per cent less in 1989 at a time when industrial outpnt is fully stretched as order books bulge.

Already, export prices are rising at a seasonally adjusted annual rate of 4 per cent. And while consumer price rises have been kept down, the Bundesbank has noted that low oil prices and the strong currency played a big role; without energy costs, the rise was at an annual rate of 2.7 per cent in the six months to December. In 1989, consumer tax increases will add at least half a point to inflation.

As the guardian of the nation's money, with an obligation to maintain stability, the Bundeshank is concerned abont these developments, although some foreign economists may accuse it of being too sensitive on inflation. It used the word "virulent" to describe the price conditions it was trying to evoid.

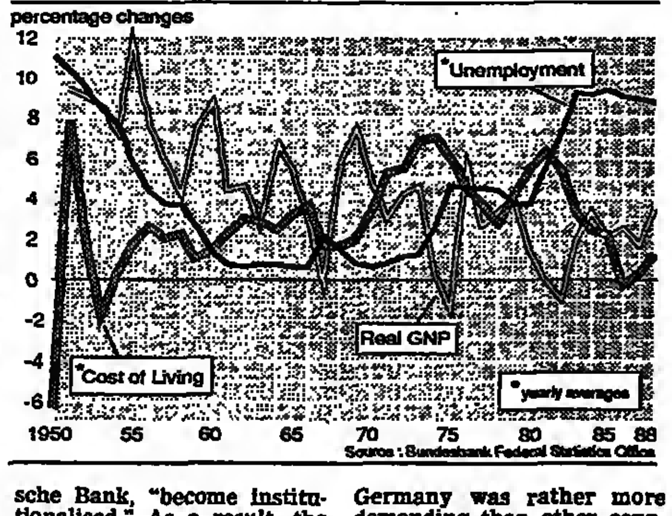
In general, the Bundesbank's efforts seem to be supported by the public. Each year, according to the Allensbach polling institute, at least 70 per cent of Germans list stable prices among the issues they regard as most important. Unemployment ranks higher, hut the idea of combatting this with a little inflationary-indnced growth is anathema to most Germans.

"Anybody in Germany who learns about economics learns that inflation is terrible," comments Mr Kurt Richebaecher, an economist formerly with Dresdner Bank. "Most Germans have a deep-seated aversion to inflation, which reflects the experiences of the older generation."

Thus the answer to the above questions seems to be: No, Germans are not paranoiac about inflation, but Yes, they do put a high premium on stability and see inflation as a danger to long-term prosperity.

Seeing the risks inherent in an economy which it thinks may overheat after six straight years of economic growth, the Bundesbank is not prepared to take any chances, exaggerated though its fears may seem to many outsiders.

W.Germany : The post-war economy



Source: Bundesbank Federal Statistics Office

BT to buy stake in McCaw Cellular

By Hugo Dixon in London

BRITISH TELECOM, the former state-owned monopoly, is to spend $1.5hn on a 22 per cent stake in McCaw Cellular Communications, one of North America's leading car phone operators.

The deal, announced yesterday, is the latest move hy BT to hreak out of the tightly-regulated UK markct. It will also strengthen BT's claim to be the world's leading provider of mobile communications.

BT, however, ran into some criticism in the City of London for paying too high a price. McCaw incurred losses after tax of $205m in the first nine months of last year and has a book value of only $90m.

BT countered hy arguing that the cellular industry was growing extremely fast and that it was unrealistic to value McCaw on a traditional price/earnings basis. BT's preferred valuation method is the so-called price/pop basis, which is used by many US analysts to give an idea of the industry'a future potential.

The price/pop method values a company according to the number of people living in the areas it serve. On this basis, BT has paid $138.

McCaw, a family-run company, based in Seattle, Washington, has moved aggressively into cellular communications over a decade, buying licences throughout the US.

Its cellular network is the largest of any in the US, covering an area with a population of 50m. Its licences include Miami and Denver as well as a third of San Francisco.

However, many of its licences have heen only recently acquired with the result that it earned revenues of only $220m in the first nine months of last year when it had only 200,000 subscribers. Its losses result mainly from interest repayments on borrowings made to buy the licences and the need to depreciate the value of the licences under US accounting law. BT will be writing off about £300m of goodwill as part of the deal. However, it will not be consolidating its share of McCaw'a losses on the grounds that its shareholding is an investment.

It will not be feeding through its share of McCaw'a depreciation costs. BT'a earnings per share are expected to fall by about £0.01 ($0.018).

BT is one of two licenced cellular communications operators in the UK, via its 60 per cent shareholding in Cellnet. The other is Racal Telecom.

Lex, Page 20; Background, Page 27

Bundesbank moves on D-Mark

Continued from Page 1

within its Louvre Accord range against the dollar in recent months and European central banking officials said this was why the Japanese anthorities had not participated in the intervention.

The central banks have been taken hy surprise by the strength of the market's desire to buy dollars. Officials conceded that the nnderlying demand in the market for the US currency is huge.

They note, however, that the cumulative effect of their intervention may be significant. The rate of collective dollar sales has picked np from a daily level of about $300m to $500m over the past days.

Background, Page 20

West German contract to South Africa cancelled

By Michael Holman and David White in London

A WEST GERMAN contract for the export of multi-sensor platforms to South Africa has been cancelled hy the West German government in what is thought to be the first such action of its kind.

The Oslo-hased World Campaign against Military Collaboration with South Africa announced yesterday that it had been informed by the West German Government that the 1985 licence for export of three platforms by the German firm Messerschmitt Boelkow Blohm has been cancelled.

The platforms include parts suppli[illegible] [illegible]tish Aerospace, hut the UK company said it ha[illegible] [illegible] knowledge that the equipment was destined for S Africa.

A government spokesman said sale of the platforms would break the United Nations embargo on the sale of arms to South Africa. The move comes against a background of growing pressure on West Germany by the US to tighten export controls on arms and other sensitive items following the controversy over the Libyan chemical complex.

German industry officials claimed that the contract was for a civilian version. Pretoria told foreign suppliers that the platforms were to track weather satellites.

US-Libya sanctions, Page 4

GEC wins Japan-backed signal deal with Thailand

By Peter Ungpakhorn in Bangkok

GEC-General Signals, part of the power systems division of General Electric Company of the UK, has won what is believed to be the world's largest railway signalling export contract.

The £37m deal to provide railway signalling for Thailand is unusual because it is to be financed by Japanese aid in the form of a soft loan from Japan's Overseas Economic Co-operation Fnnd. That amounts to some Y7bn (£560m) and will cover all the imported portions of the project.

It thus marks a rare example of a hig project funded by Japan in a developing country with so-called untied aid funds, which means money not reserved for Japan's own exporters. That portion of Japan's aid budget has been growing rapidly

The new loan will come from the tenth annnal credit line offered to Thailand in 1983. It has a 30-year maturity and 3 per cent annual interest.

GEC won the contract against competing tenders from WABCO, part of Westinghouse of the US, whose technical specifications were not accepted, and Mitsui

Mitsni's initial hid of Baht4.29bn (£96m) was considerably more than GEC's initial hid of Baht2.5bn. Subsequent negotiations between GEC and the State Railway of Thailand scaled the project down to Baht1.7bn.

Japanese stranglehold, Page 6

Motorola sues Hitachi in US

Continued from Page 1

Hitachi violated that agreement hy using the technology in its own chip designs.

Motorola says it confronted Hitachi with its allegations in 1986, and the Japanese company pledged to phase out the offending microprocessor products.

"In October 1988, in utter disregard for the consequences of its earlier unlawful conduct, Hitachi initiated a further scheme to compromise Motorola," the complaint states. A spokesman for Hitachi America, the US subsidiary of Hitachi, said yesterday the company "is greatly surprised at this action by Motorola.

Moscow to cut tactical nuclear arms

Continued from Page 1

"Nuclear missile modernisation is a step backward, not forward," he said. However, Nato has rejected any suggestion of early talks on short-range nuclear missiles, arguing that conventional arms cuts should be given priority over any further rednction of nuclear arms stationed on European soil.

Western officials here also emphasised yesterday that the terms of reference for the CST specifically excluded nuclear weapons and that Moscow appeared to want to re-introduce them by the back door.

Although the Soviet minister's announcement on tactical nuclear weapons might have been calculated to complicate Nato's task of adopting a common arms-control stand, his promise to make pnblic the Warsaw Pact'a estimates of existing forces in Europe is entirely in line with the West's position.

Nato, which last December published its own version of this data, showing Warsaw Pact superiority over Western forces in most categories of weapons, has always maintained that the two sides must agree on basic data before starting to negotiate.

Mr Shevardnadze recognised the importance of basic data, but nevertheless emphasised that "arithmetic should not become an obstacle to politics."

"Long and fruitless debate on the categories of arms and the methods of counting troops could throw a monkey-wrench into the negotiations," he said. The goal of the negotiations was not the base line data, bnt residual levels of arms, which should be brought down to mntually acceptable ceilings.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Malta	[illegible]	[illegible]	[illegible]	Rhodes	[illegible]	[illegible]	[illegible]
Algiers	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Manchester	[illegible]	[illegible]	[illegible]	Rio de J'o	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	Faro	[illegible]	[illegible]	[illegible]	Manila	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]
Athens	[illegible]	[illegible]	[illegible]	Florence	[illegible]	[illegible]	[illegible]	Melbourne	[illegible]	[illegible]	[illegible]	Salzburg	[illegible]	[illegible]	[illegible]
Bahrain	[illegible]	[illegible]	[illegible]	Frankfurt	[illegible]	[illegible]	[illegible]	Mexico City	[illegible]	[illegible]	[illegible]	San Francisco	[illegible]	[illegible]	[illegible]
Bangkok	[illegible]	[illegible]	[illegible]	Funchal	[illegible]	[illegible]	[illegible]	Miami	[illegible]	[illegible]	[illegible]	Seoul	[illegible]	[illegible]	[illegible]
Barcelona	[illegible]	[illegible]	[illegible]	Geneva	[illegible]	[illegible]	[illegible]	Milan	[illegible]	[illegible]	[illegible]	Singapore	[illegible]	[illegible]	[illegible]
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Corfu	[illegible]	[illegible]	[illegible]	Madrid	[illegible]	[illegible]	[illegible]								
Dallas	[illegible]	[illegible]	[illegible]	Majorca	[illegible]	[illegible]	[illegible]								
Dublin	[illegible]	[illegible]	[illegible]	Malaga	[illegible]	[illegible]	[illegible]								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

An expensive call from Telecom

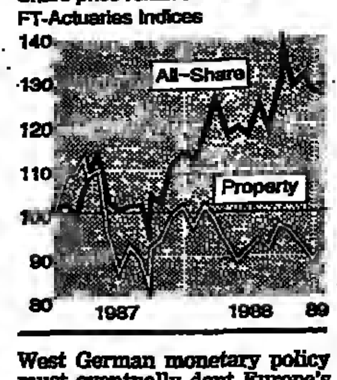
McCaw Cellnlar Commnnications claims to be the biggest player in the biggest country in the fastest growing section of the telecommunications market, and so can be expected to drive a hard bargain. However, in persuading British Telecom to pay $1.5bn for a minority stake at a 40 per cent premium, it has surely excelled itself.

On straightforward financial criteria the merits of the deal for BT look dubious: gearing rises by 10 percentage points, earnings fall by 1p, and might fall hy more had not BT decided to tuck away the company's future losses – now running at $250m a year – in its balance sheet. Shareholders may also worry whether British Telecom, that defensive ntility, should be branching out into venture capital at all, rather than returning its embarrassingly large cash flow to its owners. Neither does the disappointing performance of Mitel prove Telecom's skill when it comes to international diversification.

To all that, BT could reply – quite plausibly – that Mitel was dreamt up by a different team; and that this time it is committing just 5 per cent of its capitalisation to a market it understands well. And as the aim is to ensure long term growth, the short term financial effects are not the right way to appraise the deal.

Those who helieve in the great future of the mobile telephone will no donbt accept such arguments gladly. The $138 being paid per head of population may be extortionate compared to the price two years ago, but is no worse than the going rate. However, it may set a new high for British buyers, who have been cautious in their cellular snms by US standards; yesterday's 25p rise to the Racal Telecom share price suggests that the UK market could be coming round to the American way of thinking.

THF
Share price relative to the FT-Actuaries Indices



Markets

The initial response of the world's equity markets to yesterday's concerted rise in European interest rates is rather perplexing. Given that the recent run-up in equity prices had been based partly on the hope that global interest rates had peaked, a further half point on the West German discount rate can hardly be good news. Admittedly, short-term interest rates had already largely anticipated yesterday's moves; nevertheless, the scale of the recent tightening in West German monetary policy must eventually dent Europe's surprisingly robust economies.

For the moment, Europe is probably right to be more concerned about the inflationary impact of a strong dollar; but given that 3-month Euromark rates are now almost double what they were a year ago, any further rises in West German interest rates could soon begin to do serious damage. There is no sensible reason why the D-Mark should be so weak against the dollar; West Germany has a far lower inflation rate than America, and its balance of payments is in substantial surplus. Over time, the differences in the underlying performance of the two economies should begin to reassert themselves; hut the worry must be that the longer it takes, the more painful the medicine – which can hardly be good for equity prices.

GEC/Plessey

The sharp rise in Plessey's share price yesterday was at first ascribed to various rumours – highly circumstantial, as all the best ones are – of rival consortia riding to the rescue. More plausibly, all that has happened is that the GEC/Siemens bid, having been drowned out for a while by background noise, has re-emerged as the only deal in town. With everyone in the world of electronics apparently talking to everyone else, it would be rash to rule out further developments; hut while Plessey looks for partners and supporters, there is no guarantee that the Weinstock masterplan is complete either.

What at least seems clear is that the ignominious collapse of Metsun leaves the GEC share price quite free from bid premium. As for Plessey, yesterday's close of 243p is still a straight bet on the MMC. Having tried a battery of unorthodox tactics, Plessey has three months to do the more usual things – argue its case with the institutions, look for a straight counter-bidder, and so forth. The market is meanwhile assuming a clear run with the MMC and a take-out price towards 270p, and it could be right.

THF

It is easy to pick holes in THF'a latest annual results. A more than doubling in property profits and a rather surprising drop in the tax charge flattered the growth in earnings per share, whilst the jump in net asset valne looked rather pedestrian to those who regard THF as little more than a property play. However, such criticisms are little more than nitpicking, and there is nothing in THF's latest figures to suggest any slowdown in the company's recently much improved performance. There must surely be a limit to how far THF can continue to rely on margin improvement to boost its profits, but its expansion into newer areas such as public catering should temper any problems it has on this score in its more mature hotel businesses.

However, there are a couple of longer-term worries. It is hard to see how THF can remain unaffected if the UK authorities are really intent on squeezing consumer spending, and its problems in turning round its US operations and its more recent acquisition of Kennedy Brookes suggest that the management has yet to prove itself in tough times.

Asset allocation

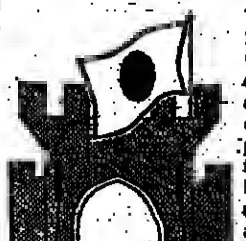
The latest official figures for UK institutional investment in third quarter 1988 trace the start of the vanishing gilts phenomenon, in the form of a £1.2bn drop in institutional holdings. With Government repurchases rising ever since, funds are under increasing pressure to come up with a strategy for the proceeds. For some life companies, actuarial considerations will dictate looking around for the nearest corporate fixed-interest equivalent; but pension funds, faced with the higher risk and lower liquidity of the corporate bond market, might conclude that equities are a simpler solution in the long run. Until just lately, 13 per cent base rates have made the question less than urgent; a few more days like yesterday for equities, and it will be time to come off the fence.

FINANCIAL TIMES COMPANIES & MARKETS

Friday January 20 1989

INSIDE

Japan unlocks a funds fortress

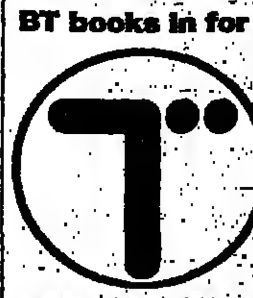


The doors of Japan's huge corporate pensions market, until now firmly closed against foreign competition, have swung open. After an extended power struggle within the Ministry of Finance, the weight of argument came down in favour of a more aggressive approach to fund management than that exhibited by the current incumbents, unable to keep an ageing population in the style to which it has become accustomed. Patti Waldmeir reports. Page 26

Commission treads narrow path

The European Commission is walking a tightrope on agricultural policy. While not wishing to appear too hard on farmers, it is equally anxious not to increase the suspicions about its commitment to reducing farm subsidies. This week's presentation of Commission proposals for a price-freezing annual farm package was quite skilfully managed, however. But Mr Ray MacSharry, the new Agriculture Commissioner, cannot expect an easy ride from the EC farming lobbies. Page 30; Editorial comment, Page 18

BT books in for daring ride



British Telecom has taken a sizeable stake in McCaw Cellular Communications of the US. Mr McCaw, chief executive and an avid pilot of his company's Lear jet, has filed one of the most ambitious corporate flight plans on Wall Street. If he succeeds, he will have pulled off a remarkable feat of derring-do and BT could profit handsomely. Page 27

Koor awaits its fate

The fate of Koor Industries, Israel's largest industrial enterprise, hangs in the balance. The debt-ridden Israeli conglomerate is engaged in a struggle for survival and three days of closed-door negotiations in London with its creditors have failed to produce a solution. Page 24

Move over Guinness

Elders and Molson, Australian and Canadian brewing giants, plan to marry their North American operations, creating Canada's largest brewing company with a domestic market share of 53 per cent. The new company is set to displace Guinness as the 20th-ranking brewer world-wide. The merger could also be the catalyst to reform of Canada's inefficient domestic brewing sector. Page 23

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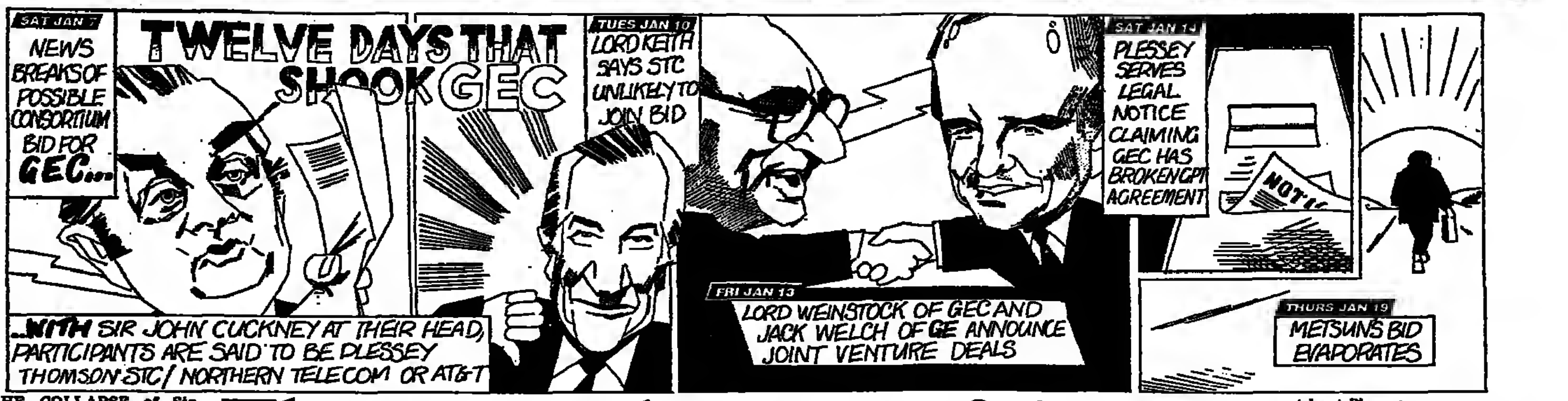
Chief price changes yesterday

FRANKFURT (DM)							
Rises							
IWKA	158.8	+	14.8	[illegible]	782	+	5.5
PWA	271	+	13.4	Hochtief	321	+	20
Thyssen	198.5	+	8	Veba	333	+	18.8
Preussag	219.5	+	8.5	Falls			
Herlitz	232	+	8	[illegible]	626	-	24
Porsche	636	+	16	[illegible]	1312	-	41.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
Digital Equip	105⅞	+	5⅞	Nippon Chem	1370	+	200
LIN Broadcasting	127	+	5	[illegible]	1770	+	250
McCaw Cell A	33¾	+	3¼	Nippon Beet Sg	830	+	98
Ogilvy Grp	33½	+	3½	Kanuga Elec Wk	1360	+	180
Polaroid	39¾	+	3¼	Falls			
Seagate Tech	11	+	1⅝	Mori Printing	1150	-	90
PARIS (FFr)				Ricoh	1100	-	90
Rises							
Roussel	1554	+	113				

New York prices at 12.30.

LONDON (Pence)							
Rises				Rank Org	765	+	15
ALP Ports	495	+	18	Reed Intl	369	+	12
Burmah Oil	519	+	21	Rothmans B	447	+	12
Cons Gld Flds	1308	+	38	Scantronic	460	+	35
Cook (DC)	155	+	13	Smurfit	432	+	44
Eng China Clays	472	+	12	WCRS	287	+	15
Eurotherm	394	+	9	Ward White	240	+	15
Greenall Whit	395	+	9	Falls			
Lowe Howard	397	+	16	Hammerson A	663	-	25
Mersey Dk Uts	315	+	15	Macarthy	265	-	12
Plessey	203	+	7	Solar	197	-	8
Prudential	166	+	8	Woolworth	287	-	8
Racal Elec	322½	+	19½				
Racal Telecom	253	+	25				



The countdown to failure

Hugo Dixon and Terry Dodsworth on the chicken and egg situation that sank Metsun's bid

THE COLLAPSE of Sir John Cuckney's consortium bid for the General Electric Company removes, at least for the time being, the threat of a carve-up which hung for 12 days over the UK's largest electronics and electrical group.

Sir John's failure to get his group of international companies all moving in the same direction at the same time illustrates the immense difficulties in putting a consortium bid together. The problems were exacerbated in this case by the fact that the target showed some fancy footwork, exposing divisions within the consortium's ranks and forcing it continually to revise its plans.

The whole venture fell apart because of a chicken and egg problem. The main partners to the consortium were unwilling to commit themselves to a bid unless they felt it was going to win. But Metsun could not put together a winning bid unless it had a strong commitment from consortium members.

As the 12 days progressed, the credibility of the consortium's package declined, as did the willingness of its members to commit themselves.

The upshot was that the consortium felt that it was better to call the bid off and regroup forces than push ahead with an approach which could be laughed out of court.

Financing the deal was a major problem.

The original idea was that GEC's telecommunications interests would be sold to STC of the UK, while its defence business would be split between Thomson of France and Plessey. The rump would be run by Sir John.

In exchange for their shares in GEC, shareholders would receive shares in the rump plus the cash from disposals. Barclays Bank was to organise a £2.5bn ($4bn) bridging loan, so that cash could be paid out to shareholders before the disposals had been made.

The snag was that none of these details had been completed when Lazard was forced to announce its intentions to bid on January 7, after news of it leaked out to GEC. With negotiations being conducted in the full glare of publicity, consortium members began to have their doubts.

First to pull out was STC, which decided it could not afford the price of £1.8bn that was being asked for GPT, the 50-50 telecommunications venture between GEC and Plessey. Without its share of the cash, Plessey could not afford to buy part of GEC's defence business. Lazard, therefore, had to make overtures to AT&T of the US, which was also keen on buying GPT.

Second to pull out was General Electric of the US, which moved over to the other side, signing a series of joint ventures with GEC. This undermined the morale of the other consortium members, who felt GEC had scored an important publicity coup.

By the end of last week, the consortium had abandoned its attempt to put together a part-cash offer. It had become inevitable that any bid would be referred to the Monopolies & Mergers Commission, and the financing costs on Barclays' bridging loan during that period would have been tens of millions of pounds. None of the parties felt confident enough of success by that stage to risk losing that amount of money.

Lazard, therefore, switched to an alternative structure, which would have involved a swap of shares in Metsun for shares in GEC with the promise of cash later on.

It was felt this would be sufficiently credible with GEC shareholders, provided there were firm commitments from AT&T and Thomson to buy the telecommunications and defence interests at high prices.

By early this week, however, it become clear that firm commitments were not forthcoming. The main problem was Plessey's decision at the weekend to serve a notice on GEC that it had broken legal undertakings given at the time GPT was formed. It claimed it therefore had the right to buy out GEC's share of GPT for a knock-down price.

Plessey's action cast uncertainty on who owned GPT and so undermined negotiations with AT&T. It also caused dissension within the ranks, because Lazard was negotiating on behalf of both Metsun and Plessey.

To avoid a conflict of interest, Baring Brothers was, therefore, brought into replace Lazard as Metsun's adviser.

After this twist, AT&T was apparently only prepared to give a loose commitment to the consortium. Baring felt it was impossible to put a credible bid together on that basis, and went to the Takeover Panel to put together a form of words that would allow Metsun to withdraw for the time being, but return to the fray if there were a substantial change in the circumstances.

So where does this leave the counter bid strategy? First of all, Metsun will be able to take up the cudgels again under the Takeover Panel agreement in two circumstances - if there is some new megadeal proposal involving GEC or Plessey, or at the end of the present Monopolies Commission inquiry.

In the latter case, it would be extremely difficult to launch a convincing bid if GEC had been given the go-ahead to bid for Plessey, and had launched back aggressively into the battle. Metsun would have to put a bid on the table that was sufficiently attractive to GEC shareholders - many of whom are also Plessey shareholders - to persuade them to sell GEC and hold Plessey.

Second, Metsun still appears to have potential support from several of the companies which have discussed the counter-bid, not least Plessey.

AT&T, for example, is extremely cautious about the Metsun move, partly because it has run into political flak in its struggle to expand in Europe, notably during its abortive attempt to by CGCT in France. Nevertheless, the company remains intensely interested in expansion in the UK because it is one of the few overseas markets where it has a prospect of a significant advance. It had a large team in Britain last week, led by Mr Bill Marx, vice president of its network services division, and could reappear as a Metsun backer if the situation changes.

Thomson, the French defence electronics company, is not entirely free - or swift - to act owing to the French Government's ownership of the group, but it remains keen on expansion in the UK. And Metsun is known to have had talks with other British and international groups.

Third, Metsun may have a funding problem in keeping the counter-bid prospects alive. Barings, a bank which has worked with Sir John Cuckney before, took Metsun on because it believes the situation has some potential, but it will insist on fees at some point. Sir John will then have to persuade his interested industrial collaborators to part with some money.

Finally, Plessey is left for the time being with a conventional takeover defence. It has won one battle on this front with the reference of the bid to both the MMC and the European monopoly authorities, and will be arguing its case vigorously in these organisations.

The other line of action - its threatened legal move against GEC over GPT, the joint telecommunications group - is still pending. It was unclear last night whether the company will proceed with this case, which has clearly had a deterrent effect on potential bidders in the anti-GEC consortium. But its lawyers believe that it has a strong argument, and it is ammunition that may be used at some time over the next week or two.

PWA in C$248m deal for Wardair

By David Owen in Toronto

PWA CORPORATION, holding company for Canadian Airlines International, Canada's second-largest airline, is to buy Wardair, the country's third-largest carrier, in a deal worth C$248.4m ($209m). It will create a competitor close to the size of Air Canada, the domestic market leader.

Operating margins at all three major Canadian airlines have come under severe pressure in recent months because of an intensifying fight for market share following deregulation.

PWA and Wardair had combined revenues of C$2.2bn in the first nine months of last year, compared to C$2.62bn for Air Canada.

The deal is in the form of an offer to buy all outstanding Wardair shares for C$17.25 per unit. Mr Maxwell Ward, who holds a controlling 57.7 per cent voting interest in the company, has agreed to tender all stock in his personal and his family's possession.

At least C$10 of the total will be payable in cash, with any balance paid in PWA stock at its discretion. Wardair will continue as a separate entity within the PWA group, with Mr Ward – a well-known Canadian entrepreneur – staying on as chairman.

Mr Rhys Eyton, PWA president and chief executive, will assume the role of vice chairman and chief executive of the new Wardair. Mr George Curley will remain president and chief operating officer.

While the offer is exactly double the C$8⅝ level at which Wardair shares were trading immediately before the announcement, it is only marginally above the company'e book value.

Canadian airline stocks have recently been trading close to 52-week lows, due to deteriorating quarterly earnings. In the first three quarters, the three principal carriers saw combined profits plunge to C$108m from C$213m a year earlier, despite efforts to shore up income statements through aircraft sales.

Would-be investors in Wardair have been further discouraged by the company's escalating debt. At September 30, Wardair's debt:equity ratio stood at 3.1:1, according to Mr Frederick Larkin, analyst with Alfred Bunting. This compared to just 0.8:1 a year earlier.

Shares in Air Canada, which was partially privatised last year by the Mulroney Government, climbed sharply on news of the proposed merger. By early afternoon, they were up C$¾ at C$8⅝ on expectations of reduced competition.

Wardair's recent metamorphosis from a charter airline into a scheduled carrier has been a major factor behind the pricing war which has lately gripped the sector. The airline has gained ground hy charging generally lower fares than its main rivals.

Canadian Airlines International, already ranked among the world's top 25, was formed in 1987 from the amalgamation of four smaller airlines.

THF may sue over purchase of Kennedy

By David Waller

TRUSTHOUSE Forte, the UK-based catering and hotels group, is considering legal action over its acquisition of Kennedy Brookes, the hotel and restaurant company for which THF paid £280m, including debt, last April.

This emerged yesterday as THF announced a 29 per cent increase in pre-tax profits for 1987-88. Mr Donald Main, THF finance director, disclosed that the £10m pre-tax profit which Kennedy Brookes reported for 1987 was comprised wholly of "property profits" and other non-recurring items.

Mr Main said: "When we found out, we were surprised that the auditors had signed the accounts." He added that it would take a year longer than expected for Kennedy Brookes to make a positive contribution to THF profits – and that it was necessary to sell more of the company's assets than was originally planned.

At the time, the deal, which took the form of an agreed takeover bid, was hailed as a triumph for Mr Rocco Forte, THF's chief executive.

It was THF's first acquisition of a public company since Mr Forte succeeded his father, Lord Forte, as chief executive in March 1983. It gave THF 1,800 hotel rooms and a number of restaurant chains, including Wheeler's.

Mr Forte said yesterday the acquisition was far from a catastrophe. It would just take a little longer than expected to bring the bnsiness to its full potential. However, he did acknowledge that THF paid far too much under the circumstances.

"If we knew then what we know now, we would not have done the deal. Or at least, we would not have paid as much as we did," he said.

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Banks urged to maintain provisions for debt

By David Lascelles, Banking Editor

THE Bank of England has made clear to UK banks as they finalise their 1988 accounts that their provisions for Third World debts should be maintained, and increased where necessary.

In particular, the Bank is keen that banks should not decrease provisions for countries whose debt performance has improved during the year.

The Bank's message, which has come across in meetings with bankers rather than by means of formal notices, is prompted by the fact that the official "matrix" which dictates provisioning levels could permit a decrease for certain countries.

The notable example is Brazil, which cleared its interest arrears last October after a gap of 18 mooths.

However, analysts say there is some doubt over whether banks will be able to take back the provisions they made at the interim stage last year to cover unpaid interest.

The matrix is a mathematical formula which takes account of several aspects of a country's performance in order to arrive at provisioning levels. Bnt the Bank also wants banks to take a cautious, long-term view of the debt problem, and that means avoiding sudden ups and downs in provisions.

Bankers say that the message from the Bank coincides with what they were planning to do anyway, and it does not imply that the 1988 accounts will contain any great surprises on provisions.

But it does underline that fact, as one of them said, that provisions are now "on a ratchet": they can only go up.

One senior international banker said he believed that UK clearers would ultimately be expected to get their provisions np to 50 per cent of exposure, matching levels echieved by many continental banks. "I can see that becoming the norm," he said. At the moment, most UK banks are in the 30-35 per cent range.

Speculation abont provisions prompted a flurry of activity in UK bank stocks yesterday, particularly in Midland Bank and Lloyds Bank, the twn most heevily exposed to the Third World. Lloyds closed down 6p et 342p, and Midland down 1p at 433p.

In common with most of the world's major banks, UK clearers made large provisions against Third World debts in early 1987. Since then, the Bank of England has encouraged them to keep adding to them steedily on a country by country basis.

Setback for Japanese

By Our Tokyo and Financial Staff

JAPAN'S Big Four securities housea yesterday reported declines in their global earnings for the year to last September as a result of what Nomura, the largest, described as "the volatility in world capital markets".

The setbacks shown for a period which began with the October 1987 stock market crash were, however, broadly in line with those already announced for the four Tokyo parent companies alooe.

Nomura, stating its results in terms of US accounting principles, gave consolidated net income as Y214.1hn ($1.7bn), down 20 per cent. It said its commission revenues fell by 21 per cent to Y459bn, reflecting the lowering of rates in the Japanese market.

Underwriting and distribntion revenues rose 5 per cent to Y184.9bn, thanks to a lively new issue market in Japan and the group's maintaining its top ranking among Eurobond houses.

Total consolidated revennes were down 10.6 per cent to Y959.8bn.

At its year-end, the Nomura group had total assets of Y4,206.6bn and shareholders' equity of Y1,311.3bn.

INTERNATIONAL COMPANIES AND FINANCE

Digital Equipment result tops Wall St estimates

By Anatole Kaletsky in New York

DIGITAL EQUIPMENT, the leading US minicomputer manufacturer, surprised Wall Street yesterday with a much stronger results than analysts had predicted.

Net profits in the December quarter were $279.6m or $2.20 a share. Although this was 15 per cent below 1987's comparative $329.5m or $2.48, the result far exceeded Wall Street's consensus estimate of around $2 per share.

The news, which came before the start of morning trading on Wall Street, resulted in a big imbalance of buy orders at the opening bell and led to an initial suspension of trading. By lunchtime, Digital's shares, which had been among the biggest casualties of the past year's malaise in technology stocks on Wall Street, had surged by $4¾ to $104⅞.

Revenue for the December quarter, the second in its fiscal year, grew by 14 per cent to $3.18bn. Like IBM, the leading US computer maker which reported its results on Wednesday, Digital said most of its revenue growth came from outside the US. International business grew by 26 per cent in the last quarter, the company said.

Digital's first-half profits fell by 16 per cent, to $502.9m or $3.90 a share, while worldwide revenues grew 15 per cent to $6.12bn.

"For the past several quarters we have been in a period of heavy investment in new programmes and business expansion. Many of these investments are now in place and we are beginning to see an improvement in cost trends," the company said.

Shamrock lifts Polaroid bid

By Janet Bush in New York

SHAMROCK HOLDINGS, the investment group representing the interests of the Roy Disney family of California, yesterday increased its offer for Polaroid to $45 a share and said it would attempt to take control of Polaroid's board in a proxy contest.

Shamrock's marathon attempt to take control of the instant camera manufacturer, was launched last July with an offer of $40 a share. The latest announcement follows the decision by a Delaware court this month to allow Polaroid to issue a large block of shares to its employees, so putting up a significant hurdle to the bid.

Shamrock said yesterday its latest offer included the 9.7m shares issued to Polaroid's leveraged employee stock ownership plan.

The Delaware decision is being appealed and Shamrock said it would extend its bid at least until a final court decision was made on the validity of the shareholder plan. If the court invalidated the plan, Shamrock said it would raise its bid to $47 a share.

Mr Stanley Gold, Shamrock's president, said his company intended to seek control of the Polaroid board at its annual meeting on May 9 unless a deal had been struck by then. The entire Polaroid board is due to be elected at that meeting.

If Shamrock's slate of nominees were to be elected, they would take all steps necessary to sell Polaroid under the latest offer from Shamrock unless a third party offer was made at a higher price. Then Shamrock's nominees would organise the sale to that third party.

Alcoa produces record returns

By Karen Zagor in New York and Bruce Jacques in Sydney

ALUMINUM COMPANY of America (Alcoa), the world's largest aluminium producer, reports another leap in output, revenues and profits as the company continues to thrive under favourable market conditions.

Net earnings for the year reached a record $861.4m or $9.74 a share on sales of $9.8bn, which compares with $200.1m or $2.25 on sales of $7.77bn for 1987. Shipments increased 13 per cent to 2.5m tonnes.

Net income for the fourth quarter was $218.7m or $2.47 a share, against $32.8m or $1.50. Sales were $2.65bn, up 29 per cent. The result included charges of $37.3m or 42 cents a share for foreign exchange adjustments, and $37.2m or 42 cents for profit-sharing based on 1988 results.

However, these were partially offset by a 10-point cut in the Australian corporate tax rate to 39 per cent, which resulted in a contribution from Alcoa of Australia, a key offshoot, of $25.4m or 28 cents.

Alcoa of Australia, that country's leading integrated aluminium producer, announced a 136 per cent lift in net earnings to A$357.9m (US$308.9m) last year.

The unit, in which Western Mining is the other main shareholder, has been expanding output. Capital expenditure remained high at A$172m compared with A$184.2m, and was devoted largely to the 45 per cent-owned Portland smelter. It also plans to lift its alumina capacity by about 6 per cent to 5.5m tonnes by the end of 1989.

The US parent's earnings for 1988 included unfavourable translation and foreign exchange adjustments of $87m or 99 cents a share. The previous year showed a charge of $141.8m or $1.62 for writedowns as well as an extraordinary debit of $23.9m or 27 cents to retire debt.

Mr Paul O'Neill, chairman, said that market conditions continue to be good. "Our order book is strong, inventory is 6 per cent below 1987 and we continue to focus on improving operating fundamentals."

Alcan doubles year's earnings

Robert Gibbens in Montreal

ALCAN ALUMINIUM, buoyed strong world metal demand and rising prices, posted peak earnings of US$931m or $5.77 a share for 1988, about double the 1987 level of $433m or $2.52 a share.

Sales and other revenues soared to $8.52bn from $6.79m in 1987, and Mr David Culver, chairman, said the strength came mainly from North American operations.

Europe showed a steady improvement in profits, while Latin America results hit a new peak, and the Pacific area was up dramatically.

The outlook continues favourable for 1989, Mr Culver added.

Fourth-quarter earnings were $255m or $1.64 a share, up from the previous year's comparative $136m or 81 cents a share on sales of $2.2bn, against $1.86bn.

Shipments of all products totalled 2.3m tonnes, up from 2.2m tonnes. At the end of 1988, inventory was down 3 per cent to 480,000 tonnes.

The company is continuing its heavy capital spending to complete modernisation of its smelters and to improve efficiency in other operations worldwide.

Alcan has begun planning the final phase of the modernisation of its 807,000 tonnes yearly smelting system in Quebec. This will require replacement of the Alma smelter, north of Quebec City, and of two smaller smelters, near Montreal, probably by a single new plant.

Recovery accelerates at Bank America

By Anatole Kaletsky in New York

BANKAMERICA, the recently tronbled San Francisco-based banking giant continued its dramatic recovery with the announcement of record fourth-quarter profits.

Like other US banks, BankAmerica boosted its latest quarter's result by the inclusion of two whole years' overdue interest on Brazilian loans, but these gains were almost exactly offset by one-time charges.

BankAmerica's stock rose $¼ to $18⅜ yesterday morning, which is three times the price of around $6 a year ago.

Earnings totalled $265m or $1.36 a share in the quarter and $726m or $3.79 for 1988 as a whole. The quarter's profits were more than a three-fold improvement on the $60m or 27 cents earned a year earlier and represented a 39 per cent advance on the $190m reported in the preceding quarter.

The latest quarterly result included an after-tax benefit of $316m resulting from interest arrears received from Brazil in November. There was a further net benefit of $41m from Brazilian income received by BankAmerica equity affiliates, making a total net benefit of $357m from the Brazilian rescheduling.

Other non-recurring gains added a further $25m after tax to BankAmerica's quarterly income. However,these gains were largely offset other special items, including a decision to boost credit loss provisions by $235m in the quarter.This action cost BankAmerica $200m after tax. Additional one-time charges for restructuring and legal claims cut net income by $167m.

Total assets at end-December were $94.6bn, 1.9 per cent up on the year before. Its ratio of common equity to assets stood at 3.61 per cent, against 2.66 per cent a year earlier.

Bankers Trust, the big wholesale banking gronp, reported net income of $185.5m or $2.29 a share in the fourth quarter, sharply down on the $$284.5m or $3.70 of a year ago.

The 1987 figure had been boosted by big one-off gains from foreign exchange and securities trading. BT's profits for 1988 as a whole were a record $647.7m or $8.09 a share.

The latest quarter'e profit included $95m from Brazilian interest payments. BT's non-interest expenses increased by 13 per cent compared with the last quarter of 1987, primarily as a result of higher employee compensation. Total assets rose by 2.4 per cent to $57.9bn. The ratio of common equity to assets increased to 6.04 per cent.

NEWS IN BRIEF

Inland Steel forges ahead

INLAND Steel Industries, the fifth largest US steel producer said strong demand in its integrated steel and service centre businesses boosted 1988 profits to a record $262m or $7.39 a share from $145m or $4.14.

But fourth-quarter net earnings eased to $57.5m or $1.63 from $59.5m $1.67, reflecting the 1987 period's extraordinary gains of $27.8m or 84 cents.

AMR, parent company of American Airlines, the second largest US air carrier, more than doubled 1988 net profits, to $476.8m or $7.66 from $196.4m or $3.28. Fourth-quarter net profit of $116.7m or $1.87 compared with a loss of $805,000 or 5 cents in 1987.

Operating revenues for 1988 rose by 22.6 per cent to $8.82bn.

AMERICAN Home Products, the US health care and food and household products group, lifted fourth-quarter net to a peak $238.6m or $1.63 a share from $215.2m or $1.47.

Full-year net income rose 10 per cent to $932.2m or $6.38 a share, from $845.1bn or $5.73 on sales of $5.5bn, against $5.03bn.

AMERICAN Information Technologies, the fifth largest US telephone holding company, reports a fall in fourth-quarter net earnings to $309.7m or $1.15 share, from $322.2n., or $1.16, which it blames on increased expenses.

However, gains earlier in the year meant that Ameritech finished the 12 months ahead with net earnings of $1.24bn or $4.55 a share, compared with $1.19m or $4.24 for 1987.

Revenues for the year edged ahead from $9.55bn to $9.9bn.

REYNOLDS Metals, a leading US aluminium producer, turned in record figures for 1988. Fourth-quarter net profits advanced to $139.9m or $2.41 a share, from $80m or $1.14, lifting the 12-month figure to $482m or $8.35, against $219.5m or $4 a year earlier.

Fourth-quarter revennes rose from $1.14bn to $1.46bn making a total for the year of $5.57bn, against $4.28bn.

Oil chief prepares to fight merger

Peter Bruce reports on Petromed's battle for independence

A brief meeting with Mr Juan Herrera reveals he has at least three great passions – hunting, the Duke of Wellington and his petroleum company, Petromed, which he founded 25 years ago.

A gravelly, humorous man, Mr Herrera held a series of newspaper stories clipped from the Spanish press in the past week, the gist of which is that Petromed is about to merge with Cepsa, its main private sector rival.

Thus, they would form a private sector refining and service station network to rival the state-owned giant, Repsol, when the Spanish oil products industry is finally deregulated ahead of 1992.

"The newspapers didn't invent these stories, and they did not come from us," he says, waving the clippings.

What the articles do reveal is a serious effort by someone to make the merger happen and Mr Herrera, though he dismisses them, is fighting for his company's independence probably harder now than he ever has. The forces gathering around him are powerful ones.

Petromed was established in 1964 as a joint venture between Exxon of the US and Banco Espanol de Credito (Banesto), the then second biggest bank in Spain. In 1974, Banesto bought out Exxon and today holds about 58 per cent of the company, which is capitalised at over Pta70bn ($599m) on the Madrid bourse.

Cepsa, a much older and bigger company capitalised at Pta140bn falls largely under the influence of Banco Central, Spain's biggest bank before the merger last year of Banco de Bilbao and Banco de Viscaya. Central owns or controls some 27 per cent of Cepsa.

The problems arise now because Banco Central and Banesto are in the process of merging and both Mr Alfonso Escamez, Central chairman, and Mr Mario Conde, his Banesto colleague, want some of their two bank's wide industrial holdings to follow suit.

It was widely assumed at the outset of the bank merger that the oil companies would make ideal partners but Mr Herrera is not having it. Last April he entered into a joint venture with BP under which the two are to sell petroleum products under a BPMed brandname when the market is deregulated. The deal gives BP the first oil multinational foothold in Spain.

Mr Herrera, who travelled to London to see BP on Wednesday, says he also expected BP to take a 10 per cent stake in Petromed, probably next month, which will further complicate matters. Cepsa, meanwhile, is now owned 10 per cent by IPIC, the Abu Dhabi oil company, which is about to take more.

The Government was known to be keen on a Petromed-Cepsa merger but Mr Herrera says that is not the case now. Banesto, he says, has asked only that Petromed seek ways to co-operate with Cepsa, possibly in petrochemicals, but is not pressing for a full merger. Mr Conde owns Petromed, which helped Banesto fight a takeover bid in late 1987.

It would be very difficult to continue with the BP deal if Petromed and Cepsa were forced upon each other. Both are preparing to take delivery of hundreds of service stations from the monopoly fuel distributor, Campsa, and Petromed plans to throw its share in with its BP joint venture. "We have an agreement with BP and we are going to fulfill it," says Mr Herrera.

Two recent reports* by Research Associates, the independent Madrid analyst, suggest that only Cepsa would benefit from a merger. Cepsa, says one report, has a profitability problem. It managed net profits of only $64m in 1987 on its $2.9bn sales while Petromed reported $26m on sales of just $588m.

"Petromed's refinery is one of the most modern in Spain and is certainly the company's key strength," says Research Associates. "The merger of Petromed and Cepsa would be a mistake for Petromed. We see [it] better off with the BP joint venture than joining Cepsa's overall less profitable operation."

Whether Mr Herrera has the last word remains to be seen. With Repsol being finely honed ahead of deregulation, Petromed's BP venture poses a grave threat to Cepsa, which might then have to look for other foreign partners to help it out downstream. Cepsa stock has risen sharply on the latest merger rumours.

The Government's attitude will be critical bnt having trumpeted the deregulation of the oil industry long and loud, it would take a brave Spanish minister to make a decision that would prejudice the entry of BP into the Spanish market. But unless Banco Central and Banesto give their turbulent bank merger a coherent industrial face it will have made little sense. And the Government very badly wants the bank merger to work.

**Research Associates, Calle del Cid 4, Madrid 28001. Tel 5641074. Petromed report $1,000 (32 pages Nov. 1988). Cepsa report (26 pages Sept. 1988) $1,500.*

International sales propel Microsoft to fresh peak

By Louise Kehoe in San Francisco

MICROSOFT, the leading personal computer software publisher, boosted revenues by 35 per cent and net income 34 per cent in its second quarter. International sales were at record levels, reflecting a broad trend in the US personal computer industry.

Revennes for the quarter were $209.9m, np from $155.9m, while net income was $47.5m or 85 cents a share, compared with $35.3m or 63 cents.

First-half revennes were $386.3m, 49 per cent over the previous year's $258.5m. Net income was $84.1m or $1.50 a share against $56.6m or $1.02.

"This 13th consecutive record revenue quarter was achieved with net profit margins of 22.6 per cent," said Mr Frank Gaudette, vice president and chief financial officer.

During the quarter, Microsoft launched an updated version of its OS/2 personal computer operating system for IBM computers.

● Compaq Computer, the US personal computer manufacturer, expects fourth-quarter net income to exceed analysts' estimates of $1.95 a share and sales to exceed estimates of $800m to $850m. For the full year, Compaq said sales should exceed estimates of $2bn due to strong worldwide demand for its products.

In 1987, fourth-quarter net earnings were $49m or $1.25 a share on sales of $432m. Net income for all 1987 was $136m or $3.57 on sales of $1.2bn.

Apple expands range to boost its market share

By Paul Abrahams in Anaheim, California

APPLE COMPUTER, the Californian-based compnter manufactnrer, yesterday announced a significant expansion of its product range, in a bid to boost its market share.

The launch should also allow the company to move into the increasingly competitive computer-aided design market.

The new machine, called the Macintosh SE/30, incorporates the powerful Motorola 68030 chip, and is seen to be competitively priced at about $5,000.

The Motorola 68030 chip can run some computational operations 100 times faster than the old 68000 chip installed in earlier models. The new machines transmit information at 32 bytes at a time rather than 16.

Analysts point out that the relatively low cost of the new machines compared with the company's less powerful models should allow it to expand its market share, bnt this might be at the expense of lower profit margins.

Apple reported slower profit growth earlier this week in its first quarter report which had been caused by purchasers acquiring less powerful Apple machines and then adding non-Apple peripherals.

The company had previously generated much of its profit by selling these peripherals with its machines at high margins.

First-quarter income rose to $140.5m or $1.10 a share, from $121.4m or 92 cents on sales up 35 per cent at $1.4bn.

Bidding resumes after Shui On office deal fails

By John Elliott in Hong Kong

SHUI ON, a Hong Kong property and construction group, said yesterday it had received "several approaches" about buying its prestigious Shui On Centre office building in the territory's Wanchai district, following the collapse on Wednesday night of its pace making HK$2.5bn (US$320.5m) deal, agreed last November, to sell the development to a little known group called Bonstag.

The Shui On Centre is owned by a branch of the Hong Kong-based Lo family headed by Mr Vincent Lo, with property, construction and hotel interests. The price agreed last November – equivalent to about HK$4,000 a sq ft – was a record for the area of Wanchai east of central Hong Kong, and it boosted growing confidence in the colony's property boom which subsequently fuelled steep rises in the stock market this month.

Attention is now focused on a public land auction next Wednesday of a prominent 77,800 sq ft plot on the Wanchai waterfront near the Shui On centre, and which is expected to attract bids from the international developers as well as the colony's major business families and groups. This will set the trend for the future of both the current property boom and the stock market.

Bonstag is a subsidiary of a new Hong Kong property company called S. Zhongshan International Investors. It is financed by overseas Chinese investors, mostly it is believed from the US and South America.

On Wednesday night Bonstag failed to meet the deadline for payment of its second instalment on the deal of HK$562m, less an allowance of HK$362m. As a result the deal was cancelled by Shui On, which now keeps Bonstag's initial down payment of HK$50m.

Bonstag is believed to have failed to raise sufficient cash to make the second down payment. This has started speculation that its partners may have decided that the HK$2.5bn price was too high. Most market analysts yesterday disagreed with this view and Mr Vincent Lo said last night that office rental rates in the area had gone up from between HK$32 and HK$35 a sq ft to the HK$40 to HK$48 range since the deal was signed.

He said that Shui On had received several approaches yesterday to buy the building but had decided to "sit tight and consider the position again if we get a very attractive offer." Next Wednesday's land auction would "give a better idea" what the centre was worth.

Yesterday the Hong Kong stock market shrugged off overnight news of the collapse of the deal, and the Hang Seng index closed only 3.39 points down from Wednesday's 2,918.05, which was the highest point the index has reached since the October 1987 crash.

The fact that Bonstag and Zhongshan are not regarded as major companies was said by brokers to have reduced the impact of their effective withdrawal.

Anglo American hit by slide in gold prices

By Jim Jones in Johannesburg

ANGLO AMERICAN, South Africa's largest mining group, has underscored the damage caused to gold mine profits by the past quarter's lower gold prices.

The group's five producing mines and the Ergo residue processing operation received an average of US$413 per ounce of gold in last year's fourth quarter, against $431 in the September quarter. And although the rand depreciated against the dollar, the average rand price fell to R32,100 per kilogram from R33,500.

The mines' responses were mixed. Freegold, the largest, increased its average recovery grade, but gold production dropped as the milling rate dropped. The decline was partly due to seasonal factors – higher summer temperatures raise underground ore temperatures and reduce labour productivity and many employees take their annual leave at the height of the southern summer.

In the Transvaal, similar production patterns were evident at Vaal Reefs and Western Deep Levels. The latter's underground and surface grades rose, but a sharp drop in the processing of underground ore meant the overall grade dropped and, with it, gold production.

Vaal Reefs, South Africa's second largest gold mine, lifted its grade to overcome the effects of a fractionally lower milling rate.

Elandsrand's recovery grade dropped sharply to 5.48 grams per tonne (g/t) from the September quarter's 6.09 g/t. The directors say it was due to lower grades in the mining area served by the mine's main shaft and forecast an average recovery of between 5.5 g/t and 6.0 g/t until the middle of the year, when richer ore can be extracted.

In general the mines have sought to curtail the unit costs of mining and processing each ton of ore by raising milling rates or concentrating mining on readily-accessible ore.

ANGLO AMERICAN GOLD QUARTERLIES

	Gold produced (kg) Dec '88	Sep '88	After-tax profit (Rm) Dec '88	Sep '88	Earnings per share (cents) Dec '88	Sep '88
Elandsrand	2,853	2,970	35.04	43.68	12.5	24.7
Ergo	3,059	2,898	24.24	26.26	39.5	34.7
Freegold	26,258	27,052	180.40	276.70	74.9	85.0
SA Land	338	346	0.96	1.11	9.5	11.5
Vaal Reefs	21,162	20,335	216.30	155.70	660.7	448.9
W. Deep	10,012	10,291	117.4	103.80	129.1	163.9

Earnings per share calculated after tax and capital expenditure.

Exxon to buy three Australian coal stakes

By Our Financial Staff

EXXON of the US is to buy managing stakes in three coal mines on Australia's eastern seaboard in a deal which, although of undisclosed value, was described by the company as representing "a major investment by Exxon in Australian coal, despite the current depressed state of the industry."

It is to buy 36 per cent of the Ulan Coal Mine in New South Wales – one of the state's largest – as well as 20 per cent in the United Coal Project there and 55 per cent of the Clermont Coal Project in Queensland.

The purchase, which remains subject to government approvals, has been made from White Industries, a company connected to the family of Mr Geoff White, an Australian resources entrepreneur.

Ulan has annual output of 6m tonnes, while United and Clermont are undeveloped. Current annual output of Exxon Coal and Minerals Australia totals 2m tonnes compared with Australia's national 100m tonne production.

Mr Lon Reed, managing director of the Exxon unit, said it would move "to develop all our reserves as soon as market conditions warrant."

The other main partner in Ulan is Mitsubishi Development while the NSW State Authorities Superannuation Board holds another 15 per cent.

Clermont is 45 per cent owned by Mitsubishi, and United is 30 per cent owned by Agip Australia and 50 per cent by the Australian Coal and Shale Employees Federation.

● Carr Boyd Minerals, the Perth-based group in which Ashton Mining has a substantial shareholding, has said that the size of its rare earths resource at Mt Weld, near Laverton, Western Australia, has doubled, making it one of the largest deposits of its kind in the world, writes Kenneth Gooding, Mining Correspondent.

A catalytic Canadian cocktail

David Owen on Elders's and Molson's North American merger

John Elliott and Marshall Cohen: mixing their drinks

On the face of it, the Australian and the Canadian make unlikely bedfellows. Mr John Elliott, the blunt, bumorous Crocodile Dundee of global brewing, who in 17 years has built Elders IXL into a A$15bn (US$12.95bn) beer and agribusiness conglomerate, and Mr Marshall "Mickey" Cohen, the impeccably mannered wine-lover, who made his name as an able deputy minister in Ottawa, later serving as president of Olympia & York Developments, the main corporate vehicle of Toronto's Reichmann brothers.

Mr Cohen left the Reichmanns late last year to become chief executive of Molson Companies, Canada's oldest and second largest brewer. And there is nothing unlikely about the logic that impelled the two men on Wednesday to announce a marriage of convenience: the merger of Elders and Molson's North American brewing operations.

The deal will create the largest Canadian brewing company with a domestic market share of 53 per cent. It may also be the catalyst to reform of the inefficient domestic brewing sector. With a projected output of some 12.6m hectolitres, the new company is set to displace Guinness as the 20th-ranking brewer worldwide.

From Mr Elliott's viewpoint Elders has traded in full ownership of the poor relation of the Canadian brewing industry – Carling O'Keefe, bought for C$400m (US$334.9m) in the spring of 1987 – for a half share in the future market leader. This has happened without a penny changing hands, despite the fact that Elders is initially contributing little more than a third of the new entity's total assets.

The accord also gives Elders a convenient jumping-off point from which to "Fosterise" the lucrative and adjacent US market. Molson has done well south of the border, where it boasts the third most popular foreign brand.

The new venture plans to target the premium US import market, which currently accounts for some 8 per cent of overall beer sales there. It hopes in time to more than double the two companies' combined current US exports to 40m cases a year.

Mr Cohen, meanwhile, will share his partner's satisfaction in vaulting over John Labatt, controlled by the Bronfman family, which has a current share of some 43 per cent.

Perhaps more importantly, however, Molson should now benefit from the ability to distribute its brands through Elders' global network. Elders, one of Australia's two big brewers, has a large estate of public houses in the UK where in 1986 it acquired Courage, one of Britain's main brewers. A hostile bid made for Scottish & Newcastle Breweries, which would give Elders greater access to the Scottish market and the capacity to expand sales into Continental Europe, is currently being investigated by the UK Monopolies and Mergers Commission.

Cementing the liaison may also give Mr Coben – a respected dealmaker in his own right – more time to contemplate his anticipated restructuring of the rest of Molson. The company is currently a C$2.4bn hodge-podge of diverse brewing, chemicals, lumber and entertainment interests.

While the merger appears to strengthen both partners' hands, it will be vital for the new company to pass through the transition quickly. Labatt is well-placed to capitalise on any resistance to the melding of management styles or difficulties in streamlining production. Mr John Carroll of Molson will be president of the venture, with Mr Ted Kunkel of Carling serving as chairman.

Certainly, the merger will result in a radical reshaping of the Canadian brewing industry. This currently consists of around 40 small- and medium-scale plants, the majority hopelessly inefficient by world standards. This has arisen because of regulations that discriminate in favour of beer brewed in the province in which it is sold. The industry received an exemption under the recently implemented US-Canada free trade agreement.

This week's deal could eventually prompt the closure of as many as nine of the two companies' 16 Canadian breweries strung across seven provinces. At the same time, the venture has pledged capital spending of some C$200m to ensure that the survivors are fully competitive.

Further rationalisation could follow if the interprovincial barriers are demolished. Molson has estimated that these raise the cost of beer to the consumer by some 15 per cent.

The unspecified job losses which the closures would entail suggest that the merger will run into stiff union resistance.

The deal is also being scrutinised by the Bureau of Competition Policy. Canadian merger law does, however, allow for a so-called "efficiency defence." This provides that a merger will not be prohibited if it brings about efficiency gains deemed to offset the effects of any lessening of competition.

UOB leads Hong Kong bank venture

By John Elliott

UNITED OVERSEAS Bank, a leading Singapore commercial bank, yesterday announced the creation of a new merchant bank based in Hong Kong called UOB IBV in partnership with local Hong Kong interests including Mr Li Ka-shing and Sir Run Run Shaw.

United Overseas has a 50 per cent stake, held through United Overseas Securities, a wholly owned subsidiary. The other main shareholder is IBV Asia, a private investment and project brokering company, with 35 per cent. IBV Asia was set up last year in Hong Kong by Mr Robert Wang, a local solicitor, who is chairman of the new bank's executive committee.

Suntoc Investment of Singapore has 10 per cent. It is a consortium of private individuals, including Mr Li and Sir Run Run. Mr Wang said yesterday that the bank aimed to "carve out a role in South-East Asia, particularly Singapore and Hong Kong."

Mitsubishi Motors sets up Europe HQ

MITSUBISHI MOTORS (MMC), the Japanese automotive group which went public last month, is establishing a company to supervise operations in Europe, where it is considering the start of car production, writes our Financial Staff.

MMV Truck Parts Europe, an Amsterdam subsidiary, is to change its name today to Mitsubishi Motors Europe (MME), and absorb its Frankfurt representative office.

Wing Tai launches S$50m share issue

WING TAI HOLDINGS, a Singapore garment maker, yesterday launched a public offer of 40m shares priced at S$1.25 to raise S$50m (US$25.7m), AP-DJ reports from Singapore.

Free State Consolidated Gold Mines Limited

Incorporated in the Republic of South Africa — Registration No 05/28210/06
Issued Capital: 116 179 121 ordinary shares of 50 cents each and 333 180 (previously 331 894) B ordinary shares of 50 cents each

FREEGOLD

Report of the directors for the quarter ended December 31 1988

The following are the results of the company and its wholly-owned operating subsidiary, Free State Consolidated Gold Mines (Operations) Limited.

OPERATING RESULTS

	Quarter ended Dec. 1988	Quarter ended Sept. 1988	Fifteen months ended Dec. 1988
Gold			
Area mined—m²000	1 035	1 062	8 028
Tons milled 000—reef	5 311	5 573	25 733
—dump reclamation	1 003	966	4 911
—total	6 314	6 539	30 644
Yield—g/t—reef	4.81	4.72	4.85
—dump reclamation	0.74	0.79	0.80
—average	4.16	4.14	4.20
Production—kg	26 258	27 052	126 748
Cost—R/m² mined	625.33	617.47	596.26
—R/ton milled	102.50	98.34	87.83
—R/kg produced	24 648	24 012	25 266
PRICE RECEIVED ON SALES			
Gold—R/kg	32 222	33 690	31 522
—$/oz	414	432	441

FINANCIAL RESULTS

	R million	R million	R million
Turnover	882.2	956.1	4 314.6
Gold—revenue	848.1	914.4	4 081.8
—costs	647.2	649.6	2 998.0
—profit	200.9	264.8	1 083.8
Metallurgical Scheme profit	9.2	7.7	58.7
Net sundry income	18.7	05.9	76.4
	228.8	298.4	1 217.9
Deduct Royalty payable to Eastern Gold Holdings Limited	0.6	0.5	3.5
Profit before taxation	228.2	297.9	1 214.4
Provision for taxation	45.8	21.2	163.1
Profit after taxation	180.4	276.7	1 051.3
Appropriation for capital expenditure after loan finance	93.1	178.5	635.5
Profit available	87.3	98.2	415.8
Dividend—first interim			139.7
—second interim			186.4
Retained profit for the fifteen months			89.7
Earnings per share—cents	75	84	357
Capital expenditure—R million	98.7	193.8	677.5
Loan from Eastern Gold Holdings Limited—drawn to date—R million	185.7	178.0	185.7

OPERATING AND FINANCIAL RESULTS

North Region

	Quarter ended Dec. 1988	Quarter ended Sept. 1988	Fifteen months ended Dec. 1988
Gold			
Area mined—m²000	567	568	2 661
Tons milled 000—reef	2 829	2 759	12 620
—dump reclamation	14	56	548
—total	2 843	2 815	13 168
Yield—g/t—reef	4.68	4.66	4.77
—dump reclamation	0.86	1.25	0.89
—average	4.66	4.59	4.61
Production—kg	12 318	12 929	60 687
Cost—R/m² mined	558.40	553.80	543.29
—R/ton milled	118.79	109.74	108.79
—R/kg produced	25 709	23 893	23 822
	R million	R million	R million
Revenue	400.2	436.2	1 921.9
Costs	316.6	308.9	1 445.7
Profit	83.6	127.3	476.2
Capital expenditure	34.4	83.9	246.2

South Region

	Quarter ended Dec. 1988	Quarter ended Sept. 1988	Fifteen months ended Dec. 1988
Gold			
Area mined—m²000	468	494	2 397
Tons milled 000—reef	2 682	2 814	13 113
—dump reclamation	989	910	4 363
—total	3 671	3 724	17 476
Yield—g/t—reef	4.93	4.77	4.93
—dump reclamation	0.74	0.76	0.79
—average	3.80	3.79	3.89
Production—kg	13 943	14 123	68 051
Cost—R/m² mined	706.41	689.60	655.81
—R/ton milled	90.68	91.48	88.82
—R/kg produced	23 711	24 121	22 808
	R million	R million	R million
Revenue	447.8	478.2	2 159.9
Costs	330.5	340.7	1 552.3
Profit	117.3	137.5	607.6
Capital expenditure	65.2	108.4	426.7
The above includes the following results relating to the Erfdeel Lease area			
Area mined—m²000	14	14	56
Tons milled 000	92	79	387
Yield—g/t	2.99	3.03	2.89
Production—kg	275	238	1 117
	R million	R million	R million
Revenue	8.8	7.9	35.5
Costs	8.0	7.3	31.2
Profit	0.8	0.6	4.3
Capital expenditure	39.9	56.5	217.5

OPERATING AND FINANCIAL RESULTS—*continued*

Metallurgical Scheme

	Quarter ended Dec. 1988	Quarter ended Sept. 1988	Fifteen months ended Dec. 1988
Pyrite flotation plants			
slimes treated—tons—000	4 202	3 893	20 417
Head grade			
uranium—kg/t	0.06	0.06	0.08
sulphur—per cent	1.01	0.99	0.96
gold—g/t	0.44	0.47	0.46
Uranium plant			
slimes treated—tons—000	1 078	984	5 018
concentrate treated—tons—000	123	102	555
uranium oxide produced—kg	127 829	112 482	611 719
Acid plant			
acid produced—tons	102 808	58 728	446 741
Gold plant			
calcine treated—tons	82 883	81 137	381 558
pyrite treated—tons	—	6 058	29 822
gold produced—kg	634	401	2 874
	R million	R million	R million
Revenue	34.1	41.7	233.0
Costs	24.9	34.0	177.3
Profit	9.2	7.7	56.7
Capital expenditure	0.1	0.5	2.6

SHAFT SINKING

	metres	metres	metres
North Region			
Freddies Mine			
No. 1 ventilation shaft			
Advance	144	111	607
Depth to date	2 013	1 869	2 013
Station cutting	414	317	1 890
No. 1 main shaft			
Advance	155	141	848
Depth to date	1 749	1 594	1 749
Station cutting	101	234	069
Western Holdings Mine			
No. 1B sub-vertical shaft			
Advance	—	28	73
Depth to date	606	606	606
South Region			
Free State Saaiplaas Mine			
No. 5 main shaft			
Advance	—	—	259
Depth to date	2 072	2 072	2 072
Station cutting	1 799	1 571	5 316
No. 5 ventilation shaft			
Advance	—	103	294
Depth to date	2 043	2 043	9 043
Station cutting	838	338	3 287

DEVELOPMENT

Development values represent actual results of sampling, no allowances having been made for adjustments necessary to estimating ore reserves.

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
NORTH REGION							
Quarter ended December 1988							
Freddies Mine							
Basal reef	9 675	776	22.4	31.18	698	0.67	14.91
Leader reef	292	144	29.8	14.06	416	0.33	9.87
"A" reef	649	212	104.1	2.09	218	0.12	12.27
Free State Geduld Mine							
Basal reef	3 607	400	27.8	22.99	639	0.34	9.56
Leader reef	1 661	758	129.2	4.54	586	0.17	22.14
"A" reef	547	110	173.8	0.67	160	0.03	4.59
Elsburg reef	119	116	203.1	3.95	803	0.04	7.97
Pyrite reef	2 197	1 464	277.5	2.86	795	0.05	13.13
Western Holdings Mine							
Basal reef	6 266	904	18.9	53.28	1 007	0.70	13.18
Leader reef	2 791	1 086	90.6	4.63	420	0.22	20.27
"A" reef	431	184	108.3	2.74	297	0.09	10.07
SOUTH REGION							
Quarter ended December 1988							
President Brand Mine							
Basal reef	7 531	744	79.0	17.84	1 409	0.08	6.71
Leader reef	3 418	1 695	147.0	2.85	410	0.09	13.08
"A" reef	1 793	140	226.9	2.51	570	0.05	10.86
Middle reef	60	64	110.7	25.19	2 789	0.06	7.10

DEVELOPMENT—*continued*

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
President Steyn Mine							
Basal reef	3 839	888	92.5	22.41	2 073	0.13	12.02
Leader reef	693	168	134.1	3.56	477	0.21	28.24
"A" reef	2 905	312	67.3	5.26	481	0.10	16.23
Free State Saaiplaas Mine							
Basal reef	8 334	844	73.6	9.39	691	0.25	18.64
Leader reef	607	308	89.2	3.54	316	0.24	21.12
"B" reef	—	22	80.0	6.04	483	0.16	12.71
Erfdeel							
"A" reef	139	04	247.2	3.88	958	0.14	34.05
Basal reef	8 570	418	71.9	11.76	845	0.34	24.82
"B" reef	—	104	66.0	3.91	258	0.11	7.17
Leader reef	129	70	133.4	0.55	73	0.07	8.88
Totals							
Basal reef							
Quarter ended December 1988	43 721	4 854	55.1	19.40	1 069	0.25	13.87
Quarter ended September 1988	47 576	4 258	49.5	84.04	1 107	0.34	16.75
Fifteen months ended Dec. 1988	220 105	10 982	57.3	20.17	1 156	0.30	17.08
Leader reef							
Quarter ended December 1988	9 491	4 235	120.4	3.64	438	0.15	17.56
Quarter ended September 1988	9 039	4 430	131.8	3.22	425	0.12	15.21
Fifteen months ended Dec. 1988	41 351	17 840	128.5	3.26	410	0.13	17.08
"A" reef							
Quarter ended December 1988	6 464	962	141.4	2.88	407	0.10	13.78
Quarter ended September 1988	5 988	1 164	164.0	2.39	392	0.07	11.79
Fifteen months ended Dec. 1988	31 029	5 780	132.5	3.56	471	0.10	13.66

DIVIDEND

The second interim dividend of 160 cents a share in respect of the financial year of eighteen months ending March 31 1989 was declared on October 20 1988, payable to members registered on November 11 1988 and was paid on December 9 1988.

CAPITAL EXPENDITURE COMMITMENTS

Orders placed and outstanding on capital contracts as at December 31 1988 totalled R83.8 million.

THE ANGLO AMERICAN GROUP EMPLOYEE SHAREHOLDER SCHEME

To date 333 180 B ordinary shares have been issued to Anglo American Corporation of South Africa Limited (AAC) to finance the acquisition of AAC shares for distribution to employees of Free State Consolidated Gold Mines (Operations) Limited who are eligible to participate in the Scheme.

For and on behalf of the board,

E. P. GUSH
L. HEWITT } Directors

January 20, 1989

WELKOM GOLD HOLDINGS LIMITED
Registration No. 05/24464/06
and
ORANGE FREE STATE INVESTMENTS LIMITED
Registration No. 85/05715/06
(Both of which are incorporated in the Republic of South Africa)

The attention of shareholders of these companies is directed to the above report.

London Offices: 40 Holborn Viaduct, EC1P 1AJ

The Transvaal Group's quarterly results appear on another page in this newspaper.

INTERNATIONAL COMPANIES AND FINANCE

Israeli Goliath faces liquidator

Andrew Whitley and Stephen Fidler on a threat to Koor Industries

In the minds of many foreign bankers, Koor Industries *was* Israel. It accounted for 12 per cent of Israel's industrial exports, 11 per cent of its industrial workforce and 14 per cent of revenues of all industrial companies. With a central role in the country's defence industry, it seemed inconceivable that the Government would allow it to fail.

Yet, in a Tel Aviv court on Sunday, a judge will rule on an application by a US bank to have the company taken over by a court-appointed liquidator.

Israel's largest industrial enterprise is engaged in a struggle for survival partly because its owners are the country's national labour federation, the Hevrat Ha'ovdim. In the words of Mr Benjamin Gaon, the company's new chief executive, Hevrat Ha'ovdim "is much more than simply a controlling shareholder. It stands for ideology, tradition, and a set of priorities which has been inviolate for decades."

Koor adopted as its purpose employment creation and producing import substitutes. When the Government cancelled the low-cost financing designed to encourage this role and lifted import barriers, Koor was left operating at unsustainably high levels of employment and exports.

Sharp cuts in government spending, particularly on communication and defence, further hit the company.

In Tel Aviv there was little control over the company's many subsidiaries, particularly those abroad. The lack of financial control at head office was, in the words of one foreign banker, disastrous.

In 1987, the company reported a loss of $253m. A year earlier it had just been able to avoid a loss by offsetting a $100m loss by a capital gain in the same amount. The 1987 loss alarmed bankers but it was Bankers Trust, the New York bank, which brought the matter to a head by moving for the liquidation of the company in a Tel Aviv court.

It is not quite clear why Bankers Trust, which headed foreign bank syndicates which lent $150m to Koor and its subsidiaries, moved so aggressively to secure its short-term loans to Koor's US subsidiary in the Israeli courts. It is plain, however, that relations between the bank and the new management appointed by the labour federation deteriorated badly, and it is also supposed by many that the timing of the move – before elections in Israel – was significant.

Benjamin Gaon: standing for ideology and tradition

Bankers Trust remains out on a limb – the other foreign bank lenders in general do not support its action – but it has so far not been moved to withdraw its court action.

Three days of closed-door negotiations in London this week between Koor, its Israeli bankers and foreign creditors have failed to prodnce an agreed solution. Koor's highly paid lawyers will thus be forced to return to the Tel Aviv District Court on Sunday to beg for more time.

Jodge Eliyahn Winograd, who showed himself sensitive last month to the national implications of Koor's collapse when he granted the aggrieved parties a 33-day stay of execution, should prove receptive.

The attitude of the foreign banks led by Bankers Trustand Manufacturers Hanover, the co-ordinator of the creditors' steering committee, however, weigh in his deliberations.

In the past month, little has gone right for Mr Gaon. Brought in last April by Hevrat Ha'ovdim, with a brief to shake up the company, he has spent his entire time fighting crisis after crisis.

The two recent devaluations of the shekel against the dollar, totalling 13 per cent, announced in recent weeks by Mr Shimon Peres, the Labour Finance Minister, were the unkindest cut of all.

The cost of servicing Koor's dollar-denominated debt was raised at a stroke, while its all-important debt/equity ratio – already dangerously close to the 3:1 ceiling fixed by a bond issue in the US – was aggravated still further.

An adverse decision from Israel's Institute of Accountants on the exchange rate companies should use for their end-of-year accounts compounded the gloom. Koor has given no forecast of its likely full-year losses, partially dependent as they are on whether the Israeli banks confirm their willingness to write off in 1988 all the 170m shekels (about $107m) they have been asked to eliminate from their books as part of the company's recovery plan.

Given the severe deterioration in Koor's trading position since October, industry analysts believe that the 1988 loss could be double the $100m target originally set by Mr Gaon. It may not be too far off the 1987 figure.

This flood of red ink means that without *both* the debt write-off and the immediate disbursement of $50m in new equity finance promised by the Israeli Treasury, on condition that an approved recovery plan is implemented, the critical dabentures threshold will, almost certainly, be crossed.

Underwritten by Drexel Burnham Lambert and Bear, Stearns, when the 12 per cent notes were first issued in June 1986, they were hailed as a breakthrough for Israeli industry into the US capital markets. Early redemption of the notes, at least a quarter of which are held by Drexel, would be the final blow. Unable at present even to provide agreed severance pay to its own workers, at the closed-down Alliance tyre factory, the Koor group would have no option other than to go into voluntary liquidation.

About the only thing keeping spirits up at the group's Tel Aviv headquarters is the conviction that it is in no-one's interest, least of all Bankers Trust, to see Koor go bust.

The internal "hole" in the company's cashflow is so large that it would seem to be in the creditors' interests to agree a repayment schedule rather than force it into the arms of a court-appointed receiver.

According to Koor, the deadlocked London negotiations were essentially a tug-of-war between the Israeli banks, led by Bank Hapoalim, a Koor sister company owed about half its $1.27bn debt, on one hand, and the foreign banks on the other. The tussle was said to be over a carve up of the meagre amount of free collateral available, with the foreigners insisting on having a "first out" option. Additionally, the foreign banks were asked to approve an ingenious scheme designed to prove Koor with an immediate cash injection, while avoiding an asset "fire sale" bound to reduce the price these could fetch.

On top of the $130m in assets the Israeli company itself offered to dispose of over the next two years, the Treasury is insisting that it sell off another $100m worth. In the first of what Koor hopes could be a string of similar actions, a local consortium *dominated* by Hapoalim and Bank Leumi, the other major Israeli bank, agreed in principle last week to pay $38m for Koor's 25 per cent holding in Israel's leading pharmaceutical company, Teva.

Evan though it was described as "a parking operation," the deal raised eyebrows, appearing to contradict Judge Winograd's ruling that Koor could not make changes to its asset structure detrimental to any of its creditors. Teva is without question the strongest card Koor has to play at present; most of its other subsidiaries being themselves in a weak condition.

As the slow torture drags on for Mr Gaon, the Treasury has dug its heels in against releasing all the promised $50m in one lump sum – as Koor demands. "Wa want to give this money gradually, to use it as an instrument to push Koor into making changes," a senior government official said.

Gold producer raises $225m loan at 2%

By Kenneth Gooding, Mining Correspondent

AMERICAN Barrick Resources, the fast-growing North American gold producer, will pay interest of only about 2 per cent on the $225m it is raising towards expanding its Goldstrike mine in Nevada.

This is because finance for the project is via a 1.05m troy ounce gold loan facility, the biggest in the history of the industry, underwritten by the Union Bank of Switzerland, Westpac Banking of Australia and the Royal Bank of Canada.

Barrick, based in Toronto, went to extraordinary lengths to keep its intentions secret because when news leaked out that Newmont Mining of the US was raising a 1m-ounce loan last year it helped drive down the world gold price.

Gold loans involve commercial banks lending gold they are holding on behalf of central banks or governments to a mining company. The miner sells the gold into the market or applies it to meet forward sales commitments entered into in advance of the loan.

Mr Jerry Garbutt, Barrick's chief financial officer, said after a meeting with institutional investors and analysts in London yesterday that his company had sold forward 750,000 ounces of gold between September and December last year. This had been done in 50,000-ounce tranches, with careful timing to avoid putting downward pressure on the gold price.

Barrick will draw down 750,000 ounces from its loan facility in the second quarter of this year. Part will be used to repay a previous 212,000 ounce loan and the rest will realise cash towards the $365m expansion of the Goldstrike mine. Mr Garbutt said there were no plans to draw down the remaining 250,000 ounces.

Barrick will pay no interest on the loan facility for three years. In the meantime, as a matter of policy established when the company was set up in 1983, it has covered 75 per cent of its projected gold production for the next three years with a comprehensive hedging programme which has secured a minimum average price of $480 an ounce.

This was achieved by the group buying "put" options at strike prices between $400 and $450 an ounce and selling "call" options at between $500 and $600 an ounce to cover the cost of the puts. Last night the price of gold was about $402.50.

UK's 3i to make first investment in Italy

By Alan Friedman in Milan

BRITAIN'S 3i Group is to make its first investment in Italy by subscribing a rights issue and acquiring a 3.9 per cent equity stake in Santavaleria Finanziaria, the holding company of the Varasi family, which has a range of interests in the paints, glassmaking, insurance and textbook publishing sectors.

The cost of the 3i investment, according to Mr Franco Santamato, managing director of Santavaleria, will be £5m.

Santavaleria is to raise a total of L82bn ($67m) by way of a rights offer that will see the issue of 26.8m new shares at L2,375 each and a separate convertible bond issue for L28.5bn. The Varasi family, which owns 71.6 per cent of Santavaleria, will not subscribe its portion of the issue and will thus see its stake diluted to 51 per cent.

The Ferruzzi group, whose chairman, Mr Raul Gardini, is an ally of Mr Gianni Varasi, the Milan industrialist who controls Santavaleria, will subscribe its portion and will end up with 24.1 per cent of the holding company.

Aside from the British venture capital company, additional stakes in Santavaleria are to be taken by the Paluel Marmont financial and industrial group of France (15.1 per cent) and Fincor Merchant, a subsidiary of Credito Italiano (2 per cent).

Santavaleria had 1988 consolidated turnover of around L500bn, according to Mr Santamato, who also said the company's 1988 net profit was more than L40bn. Santavaleria controls 53 per cent of the quoted Faf group, which holds paint and glass subsidiaries, and 43 per cent of Ivim, a joint venture with the Cabassi property concern that controls the Ipsoa publishing business in Milan.

Canadian banks launch fresh defence

By Robert Gibbens in Montreal

CANADIAN chartered banks are launching a fresh attack on moves by large foreign conglomerates to enter the domestic banking and financial services markets. Both the Toronto Dominion Bank and the Bank of Nova Scotia, fourth and fifth largest of Canada's Schedule A banks, have focused on the federal Government's preliminary approval last November 21 of American Express's application for a Schedule B licence in Canada.

The A banks are subject to full federal regulation, including a 10 per cent ownership limit. The B banks can be fully foreign-owned and operate in specialised areas.

TD and BNS say Amex and several leading US multinationals are muscling into Canadian financial services markets, while the federal Government prevents the Canadian chartered banks from entering such activities as insurance broking and car leasing. Mr Richard Thomson, TD's chairman, had to withdraw an allegation after the bank's annual meeting that Mr Brian Mulroney, the Prime Minister, struck a sweet deal with American Express: a B banking licence in return for public support for Canada-US free trade.

American Express denied a special deal, saying it filed originally for the banking licence in 1986, before free trade became an active issue.

Mr Thomson insisted the Government granted the preliminary approval on the same day as the last federal election, and by cabinet decree, without public discussion. American Express's business is mainly outside banking and includes credit card and travellers' cheque services. It controls New York investment dealer Shearson Lehman Hutton.

INTERNATIONAL CAPITAL MARKETS

Rate increases encourage volatile secondary trading

By Andrew Freeman

SECONDARY trading in fixed-rate Eurobond markets was volatile yesterday as investors reacted to the strong performance of US Treasuries and further interest rate rises in Germany and Switzerland.

New issue activity all but dried up, however, with several deals postponed as borrowers waited for a clearer pattern to emerge. A late flurry of deals found a mixed reception.

Traders reported a good performance by the markets as a whole, with Eurobond spreads over government benchmark issues widening less than expected. The spread on the World Bank 10-year issue, for example, widened from 80 to 81 basis points over US Treasuries.

Canadian dollar bonds came under greater pressure, with spreads on recent issues widening by 5 to 10 basis points in busy trading. However, sentiment in the sector remains buoyant.

Also under pressure were several of the recent callable US dollar issues. For example, the spread over US Treasuries on the Kansallis-Osake-Pankki seven-year paper launched last week by Shearson Lehman Hutton widened from some 60 basis points at launch to around 82 basis points yesterday. The bonds are callable after four years. Union Bank of Finland's similar deal was reported to have fared better, but callable paper remained out of favour.

The Japanese equity warrant deals launched on Wednesday were subdued, with lead managers generally marking down

INTERNATIONAL BONDS

prices by 1 or 2 points as the US dollar moved higher and the Nikkei index moved lower.

For example, the Mitsui $1bn issue was quoted by Nomura International at 104½ bid, down from 106 bid. One lead manager commented that the market was looking for breathing space after the heavy volume of issues this week.

Heavy selling was also reported on the secondary market for equity warrants. According to dealers, uncertainty about the direction of the US dollar led to widespread profit-taking and volume expanded considerably. One trader said business was all one way.

Among sparse new issues, Electrolux, the Swedish white goods manufacturer, came to the market with a $100m bond maturing on February 16 1996 and carrying a coupon of 10 per cent.

Priced at 101⅛ to yield 75 basis points over equivalent US Treasuries, the paper met good early demand, but see-sawed through the day's uncertain conditions.

At the close the bonds were quoted by the lead manager, Credit Suisse First Boston, at less 1.85 bid, just inside full fees of 1⅞ per cent, although at one stage they were less 1⅞ bid. The issue was aimed at retail investors because many institutions are unable to purchase non-rated corporate bonds.

Compagnie Monegasque de Banque, a Monaco-based bank, launched its first Eurobond, an Ecu25m two-year issue for the European Economic Community priced at 100½.

The paper, which matures on August 6 1991, carries a coupon of 8 per cent which made it attractive to a wide range of investors. It was quoted by the lead manager at less ⅞ bid, comfortably within fees of 1⅛ per cent.

Nomura International was the lead manager for a $200m Ford Motor Credit issue. The seven-year bonds carry a coupon of 9⅝ and were priced at 101.425 to yield 45.6 basis points over Treasuries.

This compared favourably with the borrower's existing paper and was described by the lead manager as "tight, but right." At the close of London trading, the bonds were quoted at less 1⅞ bid, just on full fees.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Ford Motor Credit Co.♦	200	9⅝	101.425	1996	1⅞/1⅛	Nomura Int.
Swedish Export Credit♦	120	9½	100.65	1990	⅜/¼	Yamaichi Int. (Europe)
Electrolux♦	100	10	101⅛	1996	1⅞/1⅛	CSFB
Final terms fixed on:						
Sumitomo Chemical(a)♦♦	400	4⅛	100	1993	2¼/1½	Nomura Int.
Daishowa Paper Mnf.(b)♦♦	100	4⅝	100	1993	2¼/1½	Nikko Secs (Europe)
FRENCH FRANCS						
Pernod Ricard♦	500	8⅝	101¼	1994	1⅞/1⅛	Societe Generale
ECUs						
EEC♦	25	8	100½	1991	1⅛/¾	Cie Monegasque de Banque
SWISS FRANCS						
Art Moving Center Co.★★♦	10	5	100⅝	1994	n/a.	Fuji Bank (Schweiz)

★★Private placement. ♦With equity warrants. ♦Final terms. a) Coupon indicated at 4½%. b) Coupon indicated at 4⅝%.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93½	94	0	+0⅛	9.94
A/S Eksportfinans 7¼ 92	150	93¼	93¾	0	+0½	9.85
B.F.C.E. 7 92	150	92½	93⅛	+0⅜	+0⅜	9.72
Brit. Tel. Fin. 9⅛ 98	250	98⅝	99⅛	+0⅛	+1⅛	9.55
Canada 9 96	1000	98½	99	+0⅜	+1⅛	9.24
Canadian Pac 10¼ 93	100	†101⅛	102⅛	0	+0½	10.13
C.C.C.E 9¼ 95	300	98¼	98⅝	+0¼	+0⅞	9.57
C.N.C.A 9⅞ 93	150	99⅝	99⅞	+0⅜	+1	6.52
Credit Lyonnais 9 91	200	†98½	99	0	+0⅛	9.66
Credit National 8¼ 93	200	95⅛	95½	+0⅛	+0⅜	9.64
Credit National 7¾ 92	100	†93⅛	93⅞	+0⅛	+0⅜	9.72
Credit National 7⅛ 91	150	†93½	94	-0⅛	+0⅝	9.81
Dai-Ichi Kan 9⅝ 92	150	99½	100⅛	+0⅛	+0⅜	9.68
Denmark 7¼ 92	300	92⅞	93⅜	+0¼	+0⅜	9.77
E.E.C. 7 91	180	93⅜	93⅞	0	+0⅛	9.63
E.E.C. 7¼ 93	250	92⅛	92⅝	+0⅛	+0⅛	9.56
E.E.C. 8 90	350	†97⅛	97⅝	0	+0⅝	9.78
E.I.B. 7⅝ 93	100	92⅜	92⅞	+0⅛	+0⅝	9.57
E.I.B. 9⅞ 97	150	98⅞	99⅜	+0¼	+0⅞	9.51
Elec. De France 9 98	200	96⅝	97	+0¼	+1⅝	9.52
Finland 7⅞ 97	200	90⅜	91	+0⅜	+1⅛	9.60
Finland 7½ 93	200	92	92⅝	+0¼	+0⅞	9.63
Fion. Exp. Cd. 8⅜ 92	200	96½	97	+0⅛	+0⅜	9.73
Ford Motor Credit 8 91	250	†96¼	96⅝	0	+0⅛	9.91
Gen. Elec. Cap. Corp. 9 93	300	97⅛	97⅝	+0⅛	+0⅝	9.69
Gen Elec Credit 10¼ 00	200	100	100⅛	+0½	0	10.21
Gen. Mtrs. Corp. 9⅛ 92	200	97⅞	98⅛	+0⅛	0	9.75
Halifax BS 9½ 93	200	†98¼	98⅞	0	+0½	9.90
IBM Credit Corp. 8⅞ 91	250	98⅛	98⅝	-0⅛	+0⅝	9.54
Italy 9 90	1000	†99	99½	0	+0⅛	9.44
Italy 9½ 95	1000	99⅜	99⅞	+0¼	+1	9.56
L.T.C.B of Japan 8 91	100	95½	96⅛	0	+0⅛	9.91
L.T.C.B. of Japan 8 97	200	90⅛	90⅝	+0⅛	+1	9.79
Metropolis Tokyo 9½ 93	200	100	100⅝	+0⅝	+0⅝	9.42
Morgan Guaranty Tst. 7 90	150	†96½	97	0	+0⅛	10.11
Nippon Tel. & Tel. 9⅜ 98	250	98¾	99¼	+0⅜	+1⅝	9.53
Norway 8⅝ 93	300	96⅞	97⅜	0	+0½	9.61
Portugal 8⅝ 91	300	†96¾	97¼	-0⅝	-0⅜	9.82
Prudential Crp. 8¾ 94	125	97⅛	97½	+0¼	+0⅜	9.39
Qantas Airways 10⅜ 95	140	102⅞	103⅜	+0⅛	+0⅞	9.68
Saskatchewan 10¼ 92	100	102¼	102⅝	0	+0⅜	9.76
State Bk S Aust 9⅝ 93	100	98	98⅝	0	+0⅜	9.82
Sumitomo Bank 9⅝ 92	150	99⅝	100⅝	0	+0⅜	9.64
Swed Exp Cred 7¼ 91	100	†93⅝	94⅛	0	0	9.76
Sweden 7 91	250	93⅞	94⅛	0	+0⅛	9.70
Sweden 7 92	250	†92⅞	93⅜	+0⅝	+0⅜	9.69
Sweden 8¾ 96	200	95⅞	96⅜	+0¼	+1⅝	9.51
Sweden 8½ 92	200	†96¾	97¼	0	+0⅜	9.49
Victorian Rep 11¼ 92	150	104⅝	105⅛	+0⅛	+0½	9.77
World Bank 7 92	300	†93	93⅛	0	+0⅜	9.67
World Bank 9 97	900	97⅛	97¼	+0⅛	+0⅞	9.44
World Bank 9¾ 98	300	98⅛	98⅝	+0⅜	+1	9.50
Yasuda Trust Fin 8½ 93	100	†95½	96	0	+1	9.70
Average price change... On day +0⅛ on week +0⅝						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100½	101⅛	+0⅜	-0⅞	5.82
Arts Fin. SVS 5⅞ 92	100	100	100½	0	0	5.78
Bank of Tokyo 5¾ 93	100	100⅛	101⅛	-0⅛	0	5.47
Central BK. Turkey 7 92	200	103⅝	103⅝	+0¼	0	5.94
Commerzbank o/s. 5⅛ 93	300	99⅛	99⅝	-0⅛	-0⅛	5.52
Degussa Int. 6½ 97	200	100⅝	101⅛	+0⅛	-0⅛	6.04
E.I.B 5½ 98	150	94⅞	95½	+0⅛	-0⅜	6.20
E.I.B 6 97	300	98⅜	99⅛	0	-0⅜	6.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change... On day [illegible] on week [illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change... On day [illegible] on week [illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5¼ 92	55	101⅝	101⅞	-0¼	-0⅛	4.87
Belgium 4⅝ 94	45	97⅞	98⅛	-0¼	-0⅜	5.05
Canada 4⅝ 92	80	98⅜	98⅝	-0⅝	-0⅛	4.85
Elec. De France 5⅛ 94	20	100⅜	100⅞	-0⅛	-0½	4.98
Ireland 5¼ 93	30	100	100½	-0⅛	-0⅜	5.05
Norway 5⅛ 95	50	100⅝	100⅞	-0¼	-0½	5.00
Rep. of Italy 5¾ 92	150	102⅝	102⅞	-0⅛	-0⅛	4.77
Sweden 4⅞ 93	50	98⅝	98⅞	-0¼	-0½	4.95
World Bank 5⅞ 92	50	102⅜	102½	-0⅛	-0½	4.77
Average price change... On day -0¼ on week -0⅜						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97⅜	97¾	+0⅛	-0⅜	11.04
Alg. Bk. Ned. 5½ 92 FL	150	98⅝	99⅛	-0⅝	-0⅝	5.91
Alg. Bk. Ned. 5¾ 93 FL	200	97½	98	-0⅛	-0⅜	6.38
Amro Bank 6¼ 92 FL	150	100⅝	101⅛	0	-0⅛	6.00
Aust. Ind. Dev. 12⅞ 93 AS	100	93⅜	93⅞	-0⅛	-0⅞	14.90
Austria 7⅝ 94 ECU	100	97⅜	97⅞	0	0	8.07
Barc. Bk. 10¼ 97 £	250	96½	97⅛	+0½	+1⅛	10.83
Barclays Aus. 13½ 91 AS	100	96¼	97¼	+0⅛	-1¼	14.83
BP Capital 9⅛ 93 £	100	96	96½	+0½	+1⅛	10.88
British Airways 10 98 £	100	—	—	—	—	—
Bahrmann-Tet. 6⅜ 93 FL	100	100⅝	100⅝	-0⅛	-0⅛	6.26
Comm. Bk. Aust. 12⅞ 93 AS	100	94⅜	95¼	-0⅛	-0⅞	13.73
Coop. Ctr. Rabo. 6¼ 93 FL	100	99	99½	0	-0⅞	6.47
Coop. Ctr. Rabo. 6 92 FL	200	99⅛	99⅝	0	-0⅞	6.19
Denmark 7⅝ 92 ECU	100	†99⅜	100⅜	0	0	7.75
Dixons 11 95 £	90	†97⅛	97⅝	+0⅝	+1⅝	11.61
Deut. Bk. Aust 12⅞ 95 AS	70	97¼	97⅞	0	-0¼	13.34
Eastman Kodak 13 90 AS	100	95⅜	96⅜	+0⅛	+0⅞	15.86
E.I.B. 7 96 LFr	100	†98	99	0	0	7.28
Elec. France 10¼ 95 C$	125	†98⅛	99⅛	+0⅛	+0⅜	10.47
Euratom 7⅝ 97 ECU	145	94⅝	94⅞	+0⅝	-0⅛	8.33
Fed. Bus. Dv. Bk. 9⅝ 92 C$	75	†97⅛	97⅛	+0⅛	+0⅜	10.67
Ford Cr. Can. 10⅝ 93 C$	100	†99⅞	100⅜	+0⅝	+0½	10.70
Ford Mtr. Cred. 7½ 92 ECU	100	99⅝	99⅞	+0⅛	0	7.74
Gillette Can. 9⅜ 93 £	70	92⅜	92⅝	+0⅝	+0½	11.83
G.M.A.C. 9⅝ 93 C$	150	†96½	97	+0⅛	+0⅞	10.70
G.M.A.C Aus. Fin. 14 90 AS	50	98⅝	98⅛	0	-1⅛	15.00
Halifax BS 10⅜ 97 £	100	96	96½	+0⅜	+1⅛	11.09
Imp Chem Inds 10 03 £	100	†94⅜	94⅞	+0⅜	+1⅝	10.74
Inv. Industry Int. 10 93 £	60	96⅝	96⅞	+0⅝	+1⅜	11.05
Lloyds Bank 10¼ 98 £	150	94¼	94⅛	+0½	+1⅛	11.23
Lloyds Bank 11⅝ 98 £	100	99⅝	100¼	+0⅜	+1⅝	11.37
Montreal Tst. 10¼ 93 C$	100	†99⅞	100⅝	+0½	+1⅝	10.75
Nat. West. Bk. 13¼ 92 AS	50	†96⅜	97⅝	0	—	14.19
Nationwide BS 10¼ 93 £	75	96⅝	96½	+0⅜	+1	11.26
Ned. Midd. Bank 6 92 FL	150	99⅜	100	0	-0½	6.12
New Zealand 9½ 93 £	100	94⅝	95¼	+0⅛	+0⅜	11.00
New Zealand 7¾ 93 ECU	200	99¼	99¾	-0¼	-0¼	7.89
Oesters. Ktbk. 13⅜ 94 AS	75	†100⅛	100⅞	0	-0½	13.40
Philips Gloeil. 6 93 FL	300	98½	99	0	0	6.31
Prudential Fin. 9⅜ 07 £	150	†89⅛	90⅛	+0⅛	+1⅝	10.64
Royal Bk. Scot. 10⅜ 98 £	125	†96⅜	96⅞	+0½	+1⅝	11.27
Saskatchewan 9⅞ 91 C$	150	†98⅛	98⅝	+0½	+0⅛	10.59
Saskatchewan 10¼ 93	200	98⅝	99⅛	+0⅜	+1⅝	10.54
S.O.R. 7⅜ 95 ECU	90	97⅝	98⅝	0	-0½	8.20
Union Bk. Switz. 7½ 93	150	†99¼	99⅜	-0⅛	-0¼	7.62
World Bank 5¾ 92 FL	100	98⅜	99⅛	0	+0⅝	6.09
World Bank 13⅜ 92 AS	100	—	—	—	—	—
Zentralpk. 13¼ 93 AS	75	98	98½	0	0	13.73

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change... On day +0.02 on week +0.07					

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MCA Inc 5½ 02 US	9/87	69.62	84	85	-0⅛	23.52
Minolta Camera 2¼ 94 DM	2/86	1004.	105⅞	107⅞	-0½	10.02
Mitsubishi Bk. 1⅞ 02 US	9/87	3157.	138⅜	140	-2	4.09
Mitsui Trust 2⅝ 01 US	10/86	1903.	146⅜	147½	-4⅛	2.95
Next Plc 5⅜ 03 £	11/87	4.3	98⅜	99⅝	+0⅛	207.42
[illegible] 2⅞ 03 US	4/88	[illegible]	128⅜	129⅜	-3½	9.87
Omron Tateisi 2⅜ 02 US	4/87	1318.	216	217	-2½	-8.71
Ranks Hovis 4⅛ 03 £	2/88	3.5	112⅛	113⅜	+0⅝	4.79
Redland 7¼ 02 £	1/87	5.4	93⅛	94⅛	+0⅛	14.02
[illegible] 6¼ 03 £	10/89	4.41	98½	99½	+1	26.18
Texas Inst. 2⅞ 02 US	9/87	82.87	74½	75½	+0⅛	48.42
W.R. Grace 6¼ 02 US	9/87	42.12	83⅜	84⅜	0	26.35

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Riksbank cuts curbs on foreign equities

By Sara Webb in Stockholm

THE RIKSBANK, Sweden's central bank, yesterday abolished restrictions governing Swedish investment in foreign equities and real estate as part of plans completely to dismantle exchange controls. The changes come into effect immediately.

The Riksbank's board of governors has also decided to allow foreign investors to buy unquoted Swedish shares.

Foreigners are currently allowed to buy certain classes of quoted and over-the-counter company shares, but they are still not allowed to buy Swedish bank shares or the so-called "restricted" class of company share. This ensures that control of Swedish corporations cannot pass into foreign hands.

The Stockholm bourse reacted positively to the Riksbank's statement. The top 16 share index climbed 1.13 per cent, although turnover was modest at SKr358m ($56.5m).

The Government and the Riksbank have promised on several occasions to speed up the pace at which controls are lifted.

Mr Sten Westerberg, chief economist at the Enskilda stockbrokerage, said: "There is a lot of euphoria over the fact that deregulation is well under way, and that accounts for the stock market's surprisingly positive response."

But he added that Sweden's institutional investors were unlikely to rush immediately into foreign equities as many were committed to maintaining their large shareholdings in domestic blue chips.

Mr Per Welin, finance director at the insurance group Trygg-Hansa, said yesterday that, in future, the group would be investing about 10 per cent of its portfolio abroad.

Last year, the Riksbank took a cautious step towards letting Swedes buy foreign equities and restricted them to a total of SKr3bn.

Mr Bengt Dennis, governor of the Riksbank, said recently: "We have over-estimated the demand for foreign equities. I had expected to see much more interest."

Taiwan move on local listing of foreign shares

TAIWAN'S stock market regulatory body is drafting rules for the issue of Taiwan depositary receipts (TDR) to facilitate the local listing of foreign shares, Reuter reports.

An official said the move would liberalise Taiwan's financial market and broaden investment channels for local people and companies. At present they are allowed to buy foreign stocks through mutual fund operators.

The official said the draft was near completion, with some problems still to be tackled by regulators and the Taiwan central bank. The problems centre on foreign exchange regulations, which allow individuals or companies to remit out of the island $5m a year but only permit inward remittances of $50,000.

Taiwan's foreign currency reserves of more than $74bn have created excess liquidity. Many people have been driven to the stock market because of low bank interest rates and an absence of other investment outlets.

The official said the draft would allow only local banks to conduct TDR business, with foreign banks having to wait until the Government completes its revised banking law.

The revised law, which will relax restrictions on many aspects of foreign bank operations in Taiwan, is under discussion by the cabinet and will be presented to parliament for approval.

Swiss central bank chairman urges reform

MR MARKUS Lusser, chairman of the Swiss central bank, has called for Switzerland to forge ahead with reform of its stock markets in order to remain competitive, AP-DJ reports.

He cited the creation last year of the Swiss Options and Financial Futures Exchange (Soffex) as an example of how Swiss bankers "have learned from history" and freed themselves from outdated ideas.

Addressing a group of West German bankers, Mr Lusser said that Soffex could eventually lead to the creation of an electronic stock market in Switzerland, a goal which the Swiss Bankers' Association has decided to pursue in steps.

Such an electronic market would move towards what Mr Lusser believes should be a system in which all trades of listed stocks would be handled on the stock exchange.

INTERNATIONAL CAPITAL MARKETS

US profit-takers move in as European rates rise

By Janet Bush in New York and Norma Cohen in London

PROFIT-TAKING took US Treasury bond prices modestly lower yesterday in spite of continued resilience in the dollar and a slightly smaller than expected increase in consumer prices in December.

At midsession, prices were quoted around ¼ point lower at the long end of the yield curve. The Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 8.84 per cent.

December's consumer prices index rose 0.3 per cent against expectations of a 0.4 per cent gain, which was a modest positive for the market.

In addition, the dollar stayed well bid in spite of another round of concerted central bank intervention, including repeated dollar sales by the US Federal Reserve and increases in West Germany's discount and Lombard rates.

At midsession, the dollar was quoted at DM1.862 compared with a high of DM1.8765 and a low of DM1.8562 in New York.

The bond market's modest weakness yesterday appeared to reflect almost exclusively caution after Wednesday's sharp dollar-related gains, when long-dated bonds were up by about ¾ point.

The Fed funds rate traded below 9 per cent for the second day running, quoted at about 8⅞ per cent. This does not have mnch significance and the funds market is expected to firm np after the weekend.

While the dollar is dominating movements in the bond market, there are other factors which encourage caution.

In spite of the firm performance of bonds on Wednesday, prices came off their highs as crude oil prices continued to rise. Yesterday, crude futures opened higher before slipping.

IN West Germany, government bond prices closed virtually unchanged after firming on short covering after the widely anticipated ½ point increases in the discount and Lombard rates.

While the markets had been nervous at the opening, the unevenly to news of the rise in the discount and Lombard rates. For instance, the 4 per cent bond due 1999 was bid at 96 to 97 after closing the trading the day before at 97½. But a 4 per cent bond due 1998 rose ½ point to trade at 97.

The Swiss National Bank's composite index of government bond yields rose to 4.45 per cent from 4.4 per cent the day before. Bond prices have been aided by the traditional heavy inflow of premium income to insurance companies in January and by the lack of fresh supply.

GOVERNMENT BONDS

Swiss National Bank's announcement of a rise in its own key interest rates seemed to presage a Bundesbank move and so ended the uncertainty.

However, when the D-Mark failed to respond to the rate rises and European central banks were forced to intervene against it, bond prices gave up all the day's gains. While dealers do not expect another quick rise in key interest rates, they expect the Bundesbank to use some of its more enbtle techniques to engineer higher short-term rates.

IN THE Swiss government bond market, the domain of domestic institutional investors, bond prices responded

UK GOVERNMENT bond prices soared yesterday after news of better than expected news on inflation, with some issues gaining more than 1 point. UK average earnings showed an average year-on-year rise of 8.75 per cent, below the forecast of a 9 per cent gain.

The data were immediately interpreted as a sign that the sharp rises in interest rates are finally having the desired effect on demand.

When seen against the backdrop of the retail sales data for December, released earlier this week, the figures indicate a slowdown in inflation, possibly paving the way for an unwinding of the successive base rate increases of past months.

Dealers noted that discount houses, which deal exclusively in the short end of the market, appear to be concentrating their sales of bills to the Bank of England in the one- to two-month maturity. Meanwhile, they are hanging on to three- to four-month bills which enjoy higher capital gains when interest rates fall.

AUSTRALIAN government bond prices closed higher in very active trading, shrugging off yet another rise in the key rediscount rate, this time to 15.4 per cent. The benchmark 12 per cent bonds due July 1998 closed at about 13 per cent, down 14 basis points from the previous close.

Demand has come particularly from foreign accounts, attracted by the strength in the currency.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	109-11	+17/32	10.36	10.76	10.65
	8.750	9/97	93-28	+22/32	9.82	10.18	10.08
	9.000	10/08	99-12	+34/32	9.07	9.28	9.22
US TREASURY *	8.875	11/98	99-06	-1/32	9.00	9.21	9.08
	9.000	11/18	101-17	-6/32	8.85	9.05	8.96
JAPAN No 111	4.600	6/98	97.6262	-0.621	4.97	4.76	4.74
No 2	5.700	3/07	108.1059	-0.630	4.86	4.74	4.80
GERMANY	6.750	8/98	100.6500	+0.225	6.68	6.76	6.61
FRANCE BTAN	9.000	10/93	97.6787	-0.204	8.60	8.48	8.64
OAT	9.500	5/98	105.6400	-0.160	8.58	8.60	8.65
CANADA *	10.250	12/98	101.6250	+8.600	9.98	10.29	10.09
NETHERLANDS	6.7500	10/98	100.2750	-0.200	6.78	6.77	6.65
AUSTRALIA	12.500	1/98	97.0174	+0.507	13.06	12.98	12.87

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Loss-making Euroratings announces closure

By Andrew Freeman

EURORATINGS, the London-based agency established to challenge the dominance of US credit rating companies, has announced it is to close.

The company, which has never been profitable since its launch in 1985, is wholly owned by Fitch Investors Service, the US agency.

Mr Richard Cacchione, Fitch's president, said a search for new shareholders had been unsuccessful, leaving no alternative to closing the operation.

Twelve staff will be made redundant, although staff numbers have been gradually reduced ahead of yesterday's announcement.

Fitch said the idea behind Euroratings had been predicated on firm support from an international shareholder base, which had eventually not been forthcoming. Fitch had discussions with a number of UK and European parties after it took control last November, when it bought a 60 per cent stake from Belgian shareholders.

However, it failed to agree any terms with the UK and European concerns.

Officials would not comment on how much Euroratings, the first European-based credit analysis company, was losing, but it is understood the losses were running at about £1m ($1.77m) a year.

The company is credited with having forced its larger US competitors to establish a European presence.

The closure leaves the field open to the two leading US agencies, Moody's and Standard & Poor's, challenged only by the independent IBCA Banking Analysis.

Mr Robin Monro-Davies, IBCA chairman, said the closure of Euroratings would benefit the larger agencies in the short-term, but would not affect his company's expansion plans.

He added that IBCA had had discussions with Euroratings with a view to hiring some of the credit analysts who have been made redundant, but declined to say whether any decision had been reached.

Israel raises first international loan

By Stephen Fidler, Euromarkets Correspondent

THE first loan raised for the state of Israel as a sovereign borrower in the public international banking market was signed in London yesterday.

Israel has found it difficult to raise finance unrelated to trade in the public markets, partly because of bank worries over the Arab boycott of organisations which do business with Israel.

Even now banks remain reticent to publicise their involvement.

The arranger of the $50m loan, United Mizrahi Bank – Israel's third largest bank – declined to give details of the 14 bank syndicate which provided the funds.

However, banks from the US, Europe – including one from the UK – Australia and the Far East contributed to the loan.

The loan is in two parts, in which the banks have participated almost equally. The first part, with a final maturity of 27 months, carries a margin of ⅞ percentage point over London interbank offered rates.

There is an option for lenders to extend the finance for three to four years.

The second part, of which half will be repaid at the end of the third year and the rest one year later, carries a margin of ⅞ point over Libor.

Bankers said the Israeli Government had no need at present for extra external financing, but it wanted to establish itself as a regular borrower in the syndicated loans market following the successful refinancing of military debt to the US last year.

The current loan was limited in size by budgetary strictures for the current financial year ending March 31. While the syndication was somewhat slow, the expectation is that the country will feel confident enough to return to the market in its own name in the next financial year.

United Mizrahi, which opened its branch in London in 1983, said it considered the terms of the loan tight for a borrower outside the Organisation for Economic Co-operation and Development.

Japan opens the pensions door

Patti Waldmeir on widening competition among fund managers

The management of Japan's corporate pension funds, until now the exclusive preserve of the country's life insurance companies and trust banks, is to be opened partially to wider competition.

Officials at the Ministry of Finance yesterday bowed to pressure from the country's Health and Welfare Ministry and announced that 127 investment management companies, including foreign houses, would be allowed to compete for the management of new inflows to corporate pension funds, whose assets totalled Y16,800bn ($131bn) at the end of 1987.

Financial analysts in Tokyo said the move had been forced on the ministry in the interests of improving the unimpressive returns achieved by existing funds ahead of an expected sharp rise in the retired population over the next 10 to 20 years.

Yesterday's announcement followed an extended power struggle between bureaucrats in the two ministries, and within the MoF itself, over the question of liberalising the pension fund market.

Supporting Japan's ageing population in the style to which it has become accustomed will require a more aggressive approach to pension fund management than that exhibited by the current incumbents, who have fought for months to protect their vested interests.

Parliamentary approval of the measures is still required, although officials believe this can be completed before the end of the current parliamentary session. They noted that ministerial accord on the liberalisation had been the main impediment to its realisation, and forecast that yesterday's measures would be given the force of law. However, they were unclear on when they would be implemented.

The measures would allow investment management companies in Japan – many of them affiliated to large foreign or domestic financial institutions – to compete with the trust banks and life insurance companies for the management of new inflows to corporate pension funds, which are at least eight years old.

A maximum of one third of the total assets of such funds could be managed by the newcomers on a discretionary basis. The ministry estimated that about Y1,500bn would be opened to competition this year, with the figure rising to Y3,000bn a year in three years' time. The management of existing funds would remain the preserve of Japan's trust banks and life insurers.

The measures would also allow corporate pension funds with more than Y50bn in total assets and at least an eight-year record to manage one third of their assets in-house, although they would be barred from investing the money in equities.

Over the past few years, the rise in corporate pension fund assets has averaged 15 per cent a year and a similar rate of increase is forecast for many years to come.

Restrictions on how managers may invest the funds affected by yesterday's decision would also be substantially relaxed. Up to 50 per cent of funds under management may be invested in equities – an increase from 30 per cent under existing guidelines – although the overall assets of any particular fund must not exceed the 30 per cent equities limit.

Foreign investment management firms – whose expertise and performance record abroad could give them a comparative advantage in the Japanese market – gave the measures a cautious welcome.

Mr Stephen Barber, managing director of MIM, a British fund management group, in Tokyo, said: "It's a giant leap forward for the Ministry of Finance but only one small step for discretionary investment managers."

He noted that although the balance had been altered, fund managers would still be required to manage a diversified portfolio of assets rather than specialising in areas where their expertise was greatest. "The more discretion one is permitted, the better," he added.

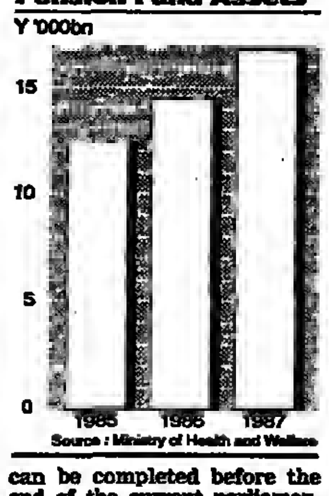
However, Mr Yuji Kudo, managing director of Schroder Investment Management in Tokyo, expressed a more positive view: "I think we have to appreciate that this is progress," he said, noting that gradual liberalisation would be the norm in Japan.

Most fund managers from foreign houses said they expected pension fund management to represent an important part of their business over time, but stressed that attracting such business could be a very slow process, even if remaining official restrictions were relaxed.

Mr Andrew Fleming, of Gartmore's Tokyo office, said: "The problem will not be demonstrating a track record, but getting prospective clients to listen to us. Japan works on relationships; price and performance will not necessarily be the deciding factor."

In practice, it seems likely that Japanese trust banks – which currently have a 63 per cent share of funds under management – are likely to continue to control much of the pension fund market, along with the country's insurance companies, for many years to come.

Japanese Corporate Pension Fund Assets



Source: Ministry of Health and Welfare

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 19 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jan 18 Index No.	Tue Jan 17 Index No.	Mon Jan 16 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	838.16	+1.0	11.18	4.25	10.96	0.32	829.95	823.21	827.17	732.18
2	Building Materials (28)	1034.80	+1.0	12.32	4.40	9.99	0.00	1024.99	1018.56	1012.31	966.36
3	Contracting, Construction (39)	1581.73	+0.8	12.53	3.86	10.40	0.00	1568.80	1557.64	1563.37	1436.38
4	Electricals (10)	2428.42	+1.2	8.91	4.65	13.53	0.00	2400.59	2379.38	2408.53	2030.65
5	Electronics (30)	1929.12	+1.2	9.72	3.39	13.32	0.00	1906.63	1897.38	1911.02	1498.53
6	Mechanical Engineering (55)	440.79	+0.9	10.80	4.26	11.27	0.03	436.69	434.00	436.37	379.82
8	Metals and Metal Forming (7)	478.41	+0.7	16.04	6.16	7.85	0.00	475.08	470.65	471.67	443.92
9	Motors (17)	275.45	+1.5	11.96	4.81	9.71	0.00	271.41	269.55	271.20	271.62
10	Other Industrial Materials (22)	1402.00	+0.8	9.82	4.49	12.08	3.28	1391.32	1379.55	1383.52	1238.45
21	CONSUMER GROUP (187)	1086.36	+0.8	9.57	3.87	13.09	0.67	1077.66	1064.47	1063.96	1029.43
22	Brewers and Distillers (22)	1186.84	+0.4	10.73	3.75	11.64	0.00	1182.43	1166.55	1171.22	975.79
25	Food Manufacturing (21)	978.89	+0.4	9.44	3.93	13.29	1.34	974.58	967.78	965.34	843.55
26	Food Retailing (15)	1924.87	+0.3	9.43	3.45	13.96	4.84	1918.37	1906.14	1876.80	2044.91
27	Health and Household (13)	1926.89	+1.8	6.96	2.81	16.46	0.20	1893.50	1863.89	1868.44	1747.71
29	Leisure (32)	1431.87	+0.5	8.43	3.43	15.80	0.00	1425.13	1407.78	1407.31	1171.69
31	Packaging & Paper (17)	562.38	+1.7	9.92	4.03	12.54	0.26	553.16	548.23	545.59	494.44
32	Publishing & Printing (18)	3437.80	+1.4	9.14	4.57	13.70	2.12	3390.14	3343.17	3368.07	3398.84
34	Stores (34)	722.13	+0.5	11.72	4.77	11.23	0.29	718.68	705.65	708.31	845.22
35	Textiles (15)	498.43	+1.4	15.87	5.68	8.63	0.00	491.61	485.84	483.47	581.06
40	OTHER GROUPS (92)	958.45	+0.9	10.73	4.49	11.43	0.07	949.65	935.15	936.07	853.43
41	Agencies (16)	1137.63	+2.0	8.45	2.59	14.94	0.00	1115.84	1104.98	1106.65	1091.57
42	Chemicals (22)	1090.31	+0.8	11.76	4.84	10.24	0.23	1081.76	1075.09	1079.42	1048.78
43	Conglomerates (12)	1318.29	+1.5	10.19	5.43	11.53	0.00	1298.55	1285.13	1290.30	1138.77
45	Shipping and Transport (12)	2011.26	+1.1	9.89	4.14	13.22	0.00	1988.68	1971.71	1967.98	1804.98
47	Telephone Networks (2)	1060.20	-0.2	11.08	4.43	11.73	0.00	1062.75	1037.54	1039.14	985.85
48	Miscellaneous (26)	1295.15	+2.0	11.00	4.23	10.34	0.27	1270.38	1242.36	1236.58	1123.87
49	INDUSTRIAL GROUP (487)	1003.26	+0.9	10.34	4.14	11.97	0.40	994.40	982.55	983.94	914.44
51	Oil & Gas (13)	1840.97	+1.6	10.02	6.03	12.76	0.00	1812.45	1795.37	1806.36	1722.14
59	500 SHARE INDEX (500)	1074.42	+1.0	10.29	4.41	12.07	0.37	1063.94	1051.63	1053.79	982.90
61	FINANCIAL GROUP (126)	711.46	+0.8	–	5.01	–	0.15	706.05	699.09	700.19	652.48
62	Banks (8)	706.01	+0.1	20.30	6.20	6.40	0.00	705.19	695.14	695.83	669.31
65	Insurance (Life) (8)	1013.79	+3.3	–	3.32	–	0.00	981.83	970.54	971.25	967.73
66	Insurance (Composite) (7)	559.22	+1.9	–	5.59	–	0.00	548.82	544.42	546.90	503.58
67	Insurance (Brokers) (7)	962.75	+0.5	9.09	6.75	13.74	0.00	957.82	949.38	955.12	941.22
68	Merchant Banks (11)	330.39	+0.1	–	4.54	–	0.00	329.95	331.98	331.50	348.31
69	Property (53)	1250.25	......	5.79	2.68	21.98	0.05	1250.82	1248.45	1242.61	990.28
70	Other Financial (32)	362.27	+0.8	9.63	5.55	12.96	0.86	359.43	356.78	356.32	388.57
71	Investment Trusts (76)	995.71	+1.2	–	3.07	–	0.51	982.37	978.58	970.28	830.49
81	Mining Finance (2)	613.03	+1.7	9.97	3.41	11.17	0.00	603.00	595.56	594.09	432.22
91	Overseas Traders (8)	1308.45	+1.0	8.95	4.84	12.95	0.00	1295.61	1288.37	1291.01	1017.87
99	ALL-SHARE INDEX (712)	985.45	+1.0	–	4.44	–	0.31	976.01	965.01	966.78	894.15

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 18	Jan 17	Jan 16	Jan 13	Jan 12	Year ago
FT-SE 100 SHARE INDEX§	1910.8	+18.7	1920.2	1904.5	1892.1	1867.7	1871.8	1862.1	1858.9	1747.2

FIXED INTEREST

	PRICE INDICES	Thu Jan 19	Day's change %	Wed Jan 18	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.59	+0.34	118.43	0.24	1.20
2	5-15 years	135.86	+0.72	134.89	–	0.58
3	Over 15 years	149.26	+0.94	147.88	–	0.00
4	Irredeemables	170.56	+0.67	169.43	–	0.00
5	All stocks	133.21	+0.63	132.47	0.09	0.73
	Index-Linked					
6	5 years	130.43	+0.03	130.39	–	0.00
7	Over 5 years	127.43	+0.11	127.29	–	0.42
8	All stocks	127.47	+0.10	127.34	–	0.38
9	Debentures & Loans	115.98	-0.09	116.09	–	8.26
10	Preference	88.06	+0.63	87.51	–	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Thu Jan 19	Wed Jan 18	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	9.22	9.28	8.93
2		15 years	8.94	9.02	9.43
3		25 years	8.88	8.96	9.28
4	Medium Coupons	5 years	10.20	10.35	9.52
5		15 years	9.46	9.57	9.43
6		25 years	9.10	9.19	9.48
7	High Coupons	5 years	10.47	10.62	9.62
8		15 years	9.62	9.72	9.78
9		25 years	9.08	9.20	9.50
10	Irredeemables†		8.92	8.98	9.28
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.74	3.74	2.46
12	Inflation rate 5%	Over 5 yrs.	3.74	3.74	4.02
13	Inflation rate 10%	5 yrs.	2.59	2.59	1.48
14	Inflation rate 10%	Over 5 yrs.	3.59	3.59	3.85
15	Debs & Loans	5 years	11.65	11.70	10.90
16		15 years	11.32	11.32	10.86
17		25 years	11.00	10.98	10.86
18	Preference†		10.20	10.26	10.53

§Opening index 1911.5; 10 am 1906.5; 11 am 1906.4; Noon 1911.5; 1 pm 1910.6; 2 pm 1919.5; 3 pm 1916.3; 4 pm 1909.1; 4.05 pm 1909.2
(a) 1.57pm (b) 10.10am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
CONSTITUENT CHANGES: Ardel (10) has been deleted and replaced by Highland Participants (48).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	109	0	2
Corporations, Dominion and Foreign Bonds	30	0	21
Industrials	718	204	661
Financial and Properties	324	60	286
Oils	46	12	42
Plantations	5	0	7
Mines	70	27	89
Others	127	26	82
Totals	1,429	329	1,190

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renun. date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
‡	F.P.	-	166	153	Bardon Group 10p	153		2.5	2.4	2.2	25.2
82	F.P.	-	75	63	Belasom 10p	75		b2.6	2.0	4.6	10.1
125	60p	20/1	66½	58½	British Steel 50p	66½	+½	R7.5	2.7	7.6	5.4
‡	F.P.	-	388	353	CLF Yeoman	388		RQ24½	4.6	2.7	12.6
245	F.P.	25/1	279	243	Compass Group 5p	279	+5	R7.2	2.7	3.4	14.8
§154	F.P.	13/1	162	141	Dewhirst	160		R4.75	2.6	4.0	11.6
§190	F.P.	13/1	190	182	¶Embassy Property 10p	187		L6.8	1.4	4.3	11.9
§120	F.P.	-	120	106	¶Planning Resch. & Sys.10p	120	+5	R3.5	2.8	3.9	10.5
§117	F.P.	-	118	110	¶Sandell Group 10p	118		R4.4	1.8	5.0	11.6
§140	F.P.	30/1	169	141	Secure Trust 1p	166	-1	W7.09	2.3	5.7	10.2
§95	F.P.	-	101	93	¶Western Plant 5p	101	+1	13.25	1.5	4.3	12.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+or-
100p	F.P.	-	105p	103p	¶Apollo Metals 8p(Net) Cm Rd Pf 10p	103p	
100p	F.P.	-	111p	106p	Bardon Grp 5p(Net) Cv Cm Rd Pf 10p	108p	
100p	F.P.	-	100p	97p	Beauford Grp 7p(Net) Cm Cv Rd Pf 10p	99p	-1
100	F.P.	-	107	100	Cable & Wireless 7pc Cv Un Ln 2008	107	+2
100p	F.P.	9/1	106½p	100p	¶Chrysalis 8.5pc Cv Cm. Rd. Pf.	105p	
100p	F.F.	-	94p	87p	Iceland Frozen Foods Cv Cm Rd Pf 20p	94p	+1
§100p	F.P.	24/1	100½p	93p	Jessups 7.3p(Net) Cv Cm Rd Pf 50p	98p	
100p	F.P.	-	73p	54p	Kelk Energy 6pc(Net) Cv Cm Rd Pf £1	73p	+2
100p	F.P.	-	96p	86p	Leisure Invs 7pc Cm Cv Rd Pf(1988) £1	88p	
§100	F.P.	-	100	99½	M'wide Anglia 12½pc 2.6.90	99½	
§100p	F.P.	-	100p	88p	Rockware Grp 7½pc Cv Cm Rd 2nd Pf	98p	+2
†100p	F.P.	-	85p	80p	¶Thorpac 8p Cv Rd Prg Pf '01-'05 50p	85p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-
93	Nil	21/2	1½pm	1½pm	¶BLP Group 10p	1½pm	
130	Nil	-	14pm	3pm	Chillington Corporation	14pm	
20	Nil	2/3	4pm	3pm	Dickie Heel 5p	4pm	+½
25	F.P.	9/2	29	25½	Marlton Group 20p	28	
48	Nil	16/2	15pm	6½pm	Readiest Int'l 5p	14½pm	
110	Nil	22/2	13pm	2pm	Richards 10p	3pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. Q Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". † Introduction. ‖ Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ¶ Unlisted securities market. § Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Jan 9
- Last Dealings Jan 20
- Last Declarations Apr 13
- For settlement Apr 24

For rate indications see end of London Share Service

Calls in Blue Arrow, Charter Cons, Clyde Pet, JSB Elect, Quotient, Control Secs, MB Grp, Evered Hldgs, Stormgard, PML, BP, Ibstock Johnsen, Vickers, Charterhall, Int Media Comm, Gateway, Pilkington, Baynes (Charles), Smurfit J. Put: Baynes (Charles). P/C Storehouse.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*461)	460	6	27	40	6	16	25
	500	1	11	23	40	42	44
Brit. Airways (*174)	160	15	24	26	1	4½	6
	180	1	9	12	9	11	16
Brit. & Comm. (*227)	220	10	17	25	2	7	11
	240	½	9	14	14	18	20
B.P. (*265)	260	6½	11	20	1	10½	15
	280	¼	3½	–	16	27	–
British Steel (*67)	50	17	18½	20½	¼	½	1
	60	7	9½	11	¼	1¾	3
	70	½	3	4½	3½	4½	8½
Bass (*873)	850	28	62	90	7	20	30
	900	3	33	60	30	40	45
Cable & Wire (*392)	390	7	28	45	6	16	22
	420	1	11	25	30	35	38
Cons. Gold (*1295)	1250	55	120	160	11	68	95
	1300	20	85	130	27	85	125
	1350	8	70	–	80	120	–
Courtaulds (*288)	280	11	24	32	3	10	18
	300	1½	14	22	14	20	28
Com. Union (*363)	360	7	15	28	7	18	20
	390	1	6	–	28	41	–
G.K.N. (*320)	300	21	30	39	1	10	12
	330	2	11	21	12	24	26
Grand Met. (*468)	460	–	–	40	–	–	21
	493	1	9	–	27	37	–
I.C.I. (*1070)	1050	25	47	75	5	28	32
	1100	4	23	40	32	62	67
Jaguar (*283)	260	23	30	40	1	8	13
	280	5	15	26	3½	16	19
	300	1	8	–	19	29	–
Land Securities (*578)	550	30	52	67	2	12	19
	600	2	22	38	25	30	38
	650	1½	7	19	75	75	75
Marks & Spencer (*160)	140	21	25	28	½	2½	5
	160	2	9½	13½	3	6	10
	180	½	3½	5½	21	22	22
STC (*293)	280	14	24	35	2½	11	15
	300	4	14	23	11	16	21
Sainsbury (*212)	200	15	21	27	1½	12	13
	220	1½	8	15	9	14	17
Shell Trans. (*358)	350	10	18	27	1	4	8
	367	1	8	–	11	22	–
Storehouse (*195)	180	16	29	36	1½	8	16
	200	3½	17	26	8	17	24
Trafalgar House (*314)	300	15	28	35	3	8	15
	330	2½	11	18	18	20	25
Utd. Biscuits (*304)	280	25	39	40	1	8	12
	300	6½	25	34	3	14	20
Ultramar (*303)	254	13	28	–	3	16	–
	300	–	–	35	–	–	30
	324	3	–	–	26	–	–
Woolworth (*257)	240	19	31	36	1	7	12
	260	4	17	23	9	14	17

Option		Apr	Jul	Oct	Apr	Jul	Oct
Boots (*236)	200	44	49	–	1½	4	–
	220	25	34	39	4	8	11
	240	11	17½	26	11	14	17

Option		Jan	Apr	Mar	Jan	Apr	Mar
GEC (*208)	200	9½	17	25	1½	8	12
	220	2	8	15	15	18	24

Option		Jan	Apr	Jun	Jan	Apr	Jun
Rolls-Royce (*145)	140	6	13	16	1	5	7
	160	¼	4½	7½	15½	16½	18
TSB (*115)	100	16	16	18	½	1½	2
	110	6	8	9½	1	3	5
	120	1	3½	5½	6	8	9

Option		Feb	Apr	Jul	Feb	Apr	Jul
Ladbroke (*461)	420	47	56	64	1½	4½	8
	460	13	25	38	12	15	21

Option		Feb	May	Aug	Feb	May	Aug
Brit Aero (*483)	460	34	42	60	7	19	22
	500	11	22	38	25	40	43
BAA (*282)	280	9	20	25	5	9½	12
	300	2	8	–	21	22	–
BAT Inds (*493)	460	41	50	60	2½	12	17
	500	14	25	36	17	28	33
Brit. Telecom (*271)	260	16	26	32	2	4	7
	280	3½	11	18	12	15	15
Cadbury Schweppes (*353)	330	31	42	54	5	12	18
	360	11½	26	36	16	29	30
Guinness (*353)	300	58	64	72	1	2	4
	330	30	38	46	3	7	11
	360	9	16	28	12	19	22
LASMO (*482)	420	70	87	102	4	16	19
	460	38	60	77	12	32	38
	500	18	40	58	35	50	60
P. & O. (*586)	500	95	105	110	1½	4	7
	550	47	57	68	4	14	18
	600	12	25	38	23	37	40
Pilkington (*229)	200	31	39	42	2	4	7
	220	14	23	27	5	9	14
	240	5	13	15	17	18	22
Plessey (*243)	220	30	38	48	2½	6	11
	240	14	22	30	9	13	18
Prudential (*166)	140	30	33	34	1	2	3
	160	10	14	18	2	6	8
	180	1½	6	–	14	18	–
Racal (*322)	280	46	57	63	2	6	10
	300	28	41	47	4	11	16
	330	12	23	31	15	21	30
R.T.Z. (*474)	460	23	38	48	12	18	25
	500	5	19	28	35	42	47

Option		Feb	May	Sep	Feb	May	Sep
Vaal Reefs (*568)	60	12	15	15	1½	4	5
	70	3	6½	9	5½	9	11

Option		Mar	Jun	Sep	Mar	Jun	Sep
Amstrad (*157)	140	22	30	34	4	6	8
	160	10	10	24	11½	15	16
	180	4½	9	15	26	27	29
Barclays (*436)	390	55	57	68	4	6	9
	420	28	30	42	15	14	18
	460	4	11	20	37	38	42
Blue Circle (*468)	460	28	35	48	12	22	26
	500	9	18	–	36	46	–
Dixons (*136)	130	14	21	22	5	9	11
	140	8	14	17	9	13	18
Glaxo (*1110)	1100	63	98	134	30	45	51
	1150	37	72	–	57	68	–
Hawker Sidd. (*579)	500	95	105	116	2	7	11
	550	53	65	82	12	21	23
	600	19	32	49	30	43	50
Hillsdown (*258)	240	26	33	38	3	5½	7
	260	11½	19	27	9	13	16
Lonrho (*338)	330	25	42	50	17	28	36
	360	13	29	30	36	46	52
Midland Bk (*433)	420	22	32	40	14	17	20
	460	4	12	20	45	45	47
Sears (*117)	110	12½	15½	19	4	6	9
	120	6½	9½	13	8	11	14
Trusthouse Forte (*264)	260	14	24½	32	13	15½	19
	280	6½	15	20	26	27	32
Thorn EMI (*670)	650	42	57	65	12	17	25
	700	14	27	37	37	50	55
Wellcome (*456)	420	50	64	79	6	11	15
	460	25	36	51	20	25	30

Option		Jan	Mar	Jun	Jan	Mar	Jun
British Gas (*165)	160	5	9½	15	1	3	4
	180	½	2	5½	16	16	17

Option		Jan			Jan		
RHM (*383)	360	24	–	–	1½	–	–
	390	3½	–	–	12	–	–

Option		Mar	Jul	Oct	Mar	Jul	Oct
Beecham (*511)	500	33	51	64	15	23	27
	550	10	27	39	42	47	50
Unilever (*489)	460	40	55	69	4	18	15
	500	15	29	44	18	25	25

Option		Mar	May	Aug	Mar	May	Aug
BTR (*316)	300	25	27	35	3	7	10
	330	6½	10	18	17	22	24
Hanson (*162)	160	8½	11¾	14½	3½	5	7½
	180	1½	3½	5½	19	19	19
Tesco (*148)	140	13	14	17	2½	5	7
	160	2½	4½	–	15	17	–

Option		Jan	Mar		Jan	Mar	
Enterprise Oil (*519)	500	25	32	–	4	22	–
	550	2	22	–	33	43	–
Scot. & Newcastle (*399)	360	40	50	–	1	5	–
	390	10	30	–	2	12	–
	420	½	15½	–	23	27	–

Option		Feb			Feb		
Conv. 9½% 2005 (*101)	98	[illegible]	–	–	[illegible]	–	–
	100	[illegible]	–	–	[illegible]	–	–
	102	[illegible]	–	–	1½	–	–
Tr. 12% 1995 (*108)	106	–	–	–	–	–	–
	110	[illegible]	–	–	[illegible]	–	–
	112	[illegible]	–	–	–	–	–

Option		Jan	Feb	Mar	Apr	Jan	Feb	Mar	Apr
FT-SE Index (*1909)	1650	269	–	–	–	½	–	–	–
	1700	219	232	245	252	½	1½	3	5
	1750	169	182	195	205	½	2½	5	7
	1800	119	133	148	160	½	3	9	13
	1850	70	90	105	118	2	12	16	22
	1900	29	50	68	80	12	22½	32	38
	1950	6½	24	38	50	42	46	55	60

January 19 Total Contracts 90,488 Calls 61,650 Puts 28,838
FT-SE Index Calls 9846 Puts 12962
*Underlying security price.

UK COMPANY NEWS

City unimpressed as THF unveils 29% advance to record £232m

By David Waller

TRUSTHOUSE FORTE, one of the world's largest catering and hotels group, yesterday reported pre-tax profits 29 per cent higher at a record £232m for the year to the end-October 1988. Turnover breached the £2bn mark for the first time, climbing 15 per cent to £2.04bn.

Profits from property disposals were higher than expected, at £34m against £15m in 1987. The result was at the lower end of City expectations and the shares dropped against the market trend to close 1¼p down at 268¾p.

A proposed final dividend of 6.64p will take the year's total to 8.4p, an increase of 18 per cent. Earnings per share were up by 35 per cent to 22p.

A partial property revaluation produced a surplus of £719m over book value, taking net asset backing from around 200p to 287p per share.

Lord Forte, chairman and founder of the company, observed that results for the first two months of the current year were encouraging. Chief executive Mr Rocco Forte, the chairman's son, pointed to the various highlights of the results.

● Public catering — which takes in Kentucky Fried Chicken, Little Chef, Happy Eater and Harvester — increased trading profits by 45 per cent to £58m. The Gardner Merchant contract catering subsidiary improved its profits by 25 per cent to £30m. Overall, catering accounted for more than a third of group trading profits of £240m.

● Profits from hotels rose 15 per cent to £153m, despite difficult hotel markets in a number of European cities, especially in London where bookings from US citizens were down 25 per cent. In London, this trend was counteracted by a rise in bookings from the Japanese and THF "held its own" in profits terms. In the UK provincial market, occupancy levels rose by 4 per cent.

● The contribution from THF's stake in the Savoy Hotel group — in which THF holds a majority of the shares but a minority of the votes — fell from £9m to £8m. The next bout of litigation in the prolonged battle with the Savoy is expected later this year.

● Kennedy Brookes, the hotel and restaurant group bought last March for £280m (including debt) "washed its face" during the six months for which its results were included in the THF figures. In other words, the profit contribution just covered the interest costs associated with the deal — but only after capitalising interest of £6m arising on the parts of Kennedy which THF intends to sell. There are plans to raise £130m from sales of Kennedy assets this year, in addition to £30m or so in 1988.

Rocco Forte: no evidence of hostile stakebuilding.

● In the US, where THF has traditionally achieved a much worse return than in the UK, profits stayed the same at £7m, on turnover up from £156m to £168m. Mr Forte said that the US operations were responding well to action taken by Sir Ian MacGregor, appointed executive chairman of THF's US operations last June: in time, this would show through in the profits.

The interest bill rose from £41m to £50m, reflecting borrowings up from £436m to £860m at the year end and gearing up from 28 to 38 per cent.

Mr Donald Main, finance director, said that the increased borrowings arose partially as a result of the Kennedy Brookes acquisition. Last year's rise in the interest charge did not reflect the recent rise in interest rates, and, inevitably, the interest charge would be higher this year.

Mr Forte said that a study of the share register had yielded no evidence of hostile stakebuilding, despite a welter of rumours.

See Lex

Cambrian claims its proposals better Leucadia bid terms

By Nikki Tait

CAMBRIAN & GENERAL, the UK investment trust which was once a vehicle for disgraced US insider trader, Mr Ivan Boesky, yesterday spelt out further details of its preferred reorganisation proposals.

It suggested that they would better the unwanted cash bid from Leucadia National Corporation by about 9 per cent.

The trust also said it was confident that shareholders speaking for a majority of the shares, once Leucadia's own stake is excluded, would welcome the proposals.

The actual degree of support, according to SG Warburg, which is advising Cambrian, runs out at a little below 40 per cent of the voting rights.

However, Cambrian went on to say, to be successful the proposals would need 50 per cent shareholder support.

"Leucadia's statements prevent them, during the period of their offers, from supporting the proposal," commented the trust, "and the board of Cambrian has therefore concluded that it is not possible to put the proposal forward during this period."

It also added that the supportive shareholders — four in total, and thought to include London & Manchester plus one other UK institution — had not expressed any final conclusion.

Under the Cambrian scheme, devised in conjunction with Mr Lance Lessman, a US investor who once worked for Mr Boesky, shareholders would get back a short-term loan note plus shares in an ongoing, substantially smaller trust.

These shares would be underwritten, so that shareholders would be offered a full cash exit route — once the loan notes were repaid.

In an illustrative value of the proposal, Cambrian says that — assuming net asset value of the trust to be £91m — about £58m might be returned to shareholders by way of loan notes. This would work out at 90.56p a share.

The ordinary shares in the new ongoing trust would have a net asset value of 45.78p and would be underwritten at 29.76p. The capital shares would have a net asset backing of 110.06p and an underwritten value of 71.54p.

Acquisition returns Waverley to profit

By Fiona Thompson

WAVERLEY CAMERON, the stationery, office furniture and equipment group, yesterday reported pre-tax profits of £1.37m for the six months to September 30 1988, compared with £977,000 last time.

The results are merger accounted, following the acquisition last September of Ronald Martin Groome (RMG). This has had the effect of turning the group from a loss-making situation into profit. Last August the group announced losses of £176,000 for the 18 months to the end of March 1988, this has now been restated as a profit of £2.45m.

The company has made three acquisitions since Mr James Gulliver, the Scottish financier who heads Lowndes Queensway, took control almost a year ago after a bitter bid battle. It acquired Partners, stationery retailer, and advertising agency Craig Advertising in November, but only RMG is included in yesterday's figures.

Turnover rose from £13.25m to £19.29m. An interim dividend of 0.3p has been declared, the first paid for some time. Earnings per share were 1.65p. This compares with last year's 1.48p, unadjusted for the new shares.

The enlarged group comprises the RMG group of companies and the original trading company, now trading as Waverley Stationery following a reorganisation programme.

Both the RMG office furniture and equipment division and the RMS International stationery division traded successfully during the six months and increased operating profit by more than 55 per cent.

Group prospects were encouraging, said Mr Gulliver, with the recent acquisitions bringing a track record of success and considerable potential.

Sheriff for USM

Sheriff Holdings is coming to the USM via a placing which capitalises the Midlands-based plant hire company at £7.28m. Dealings are expected to start on January 26. County NatWest Wood Mackenzie is placing 1.216m shares at 140p each, representing 28 per cent of the share capital.

Calling up a tortuous flight-path

Roderick Oram looks at Craig McCaw and his upstart company

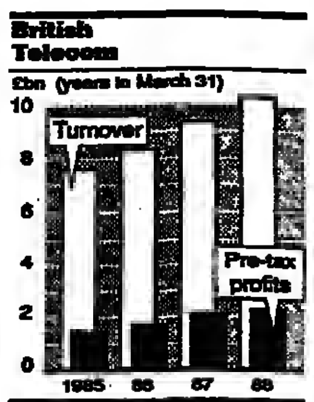
BRITISH TELECOM's shareholders had better tighten their seatbelts for the fiscal flight of a lifetime aboard McCaw Cellular Communications with Mr Craig McCaw, its 39-year-old chairman, at the controls.

Mr McCaw, an avid pilot of his company's Lear jet, has filed one of the most outrageously ambitious corporate flight plans on Wall Street. If he safely lands the deeply indebted upstart company in the comfortable slot as the leading cellular telephone company in the US, he will have pulled off a remarkable feat of daring-do. BT could profit handsomely.

But to do so he has to weave a flight path through a mountainous range of fiscal problems, intense competition and bare-knuckle negotiations as cellular consolidates into a mature and stable business. Yesterday BT paid $1.5bn (£854m) for 22 per cent of the seats aboard McCaw and the only thing guaranteed shareholders is some lively in-flight entertainment.

When it reports its 1988 results shortly, McCaw is likely to show a net loss of some $280m on cellular service revenues of about $190m. Its long-term debt is $1.8bn requiring interest payments of some $200m a year.

Yet, Wall Street happily accepts these figures as the start-up cost of McCaw's thrust into cellular. When 12 per cent of its A shares were floated in August 1987, they were eagerly snapped up by investors at $21.75 per share. Following the BT news yesterday, they jumped $4 5/8 to $33 5/8.



The company was founded by Craig's father Elroy who built up a small group of radio stations in the pacific northwest. He later branched out into television stations and cable networks but he was a disorganised manager and the family business was deeply in debt when he died in 1969.

Craig, the second of four sons, soon took control and once the debts were paid off parlayed the remaining property, a 7,000 subscriber cable system, into a main player and seized on the cellular opportunity when the Federal Communications Commission began franchising territories in 1982.

They are all duopolies with the traditional "wire line" telephone company getting one licence in an area and a "non-wire" getting the other.

By 1987, though, Mr McCaw realised he had to did not have the money to concentrate on both businesses. He sold McCaw's cable interests to Mr Jack Kent Cooke, the Washington D.C. investor, for $755m or a then record of $1,740 per subscriber.

Through astute and early bidding for franchises, horse-trading of territories and investment stakes with competitors, and some skilful purchases, Mr McCaw has put his company into potentially a leading position.

McCaw's territories cover 127 cities with 48m potential subscribers. Its the largest theoretical base in the country and some 70 per cent larger than the biggest cellular operations of Pacific Telesis, the nearest traditional telephone company.

So far McCaw has only some 200,000 subscribers but it could have 835,000 by 1991 when the company should break even, according to research reports of Drexel Burnham Lambert, the Wall Street underwriter of its shares. By 1992, Drexel forecasts, McCaw could have revenues of $1.1bn and a net profit margin of 19 per cent.

Apart from the financial pressures, McCaw will have to do a lot more trading of territories to achieve a coherent and interlocking network offering a broad geographic service. Wall Street is expecting such a flurry of negotiations by the early 1990s. One great flaw is its lack of a major city. It looks as though McCaw is trying to tackle that by taking a minority stake in LIN, a company with cellular service in several major cities. But even though it is a public company, McCaw is highly secretive so it is hard to discern its strategy.

Moreover, analysts say McCaw has a patchwork of incompatible transmission systems in its areas and inconsistent pricing and distribution policies that must be smoothed out.

Wall Street remains highly confident, however, often resorting to words such as visionary to describe Craig McCaw, who refuses to give press interviews.

Mr Mario Gabelli, who runs his own New York fund management firm with a speciality in cellular companies, welcomed the BT deal as the "first step in an increasingly global inter-connection of telecommunications." He considered it a coup for McCaw to have brought on board an investor such as BT "with very deep pockets."

The glamour and the ambition behind the BT buy

By Hugo Dixon

IT MIGHT seem incredible for BT to pay $1.5bn for a minority share in a business on the other side of the world that last year lost $200m after tax and has only 2,300 employees.

But the glamour of mobile communications and BT's ambitions for expanding beyond its tightly regulated mainstream business in the UK go some way to explaining why it was prepared to pay such a price.

BT is buying a 22 per cent stake in McCaw Cellular Communications, one of the North America's leading operators of car phones. Although it has yet to make a profit, Wall Street has been prepared to value it at several billion dollars because it has managed to buy up a network of cellular licences covering large parts of the US.

Its large losses reflect the fact that it is very much in the start-up phase. Last year, it earned revenue of only $230m. Against this, it had to absorb hefty charges for depreciating the value of its licences. There were also large interest payments, since it borrowed much of the money to buy them.

Mr Iain Vallance, BT's chairman, said $1.5bn was equivalent to a price of $138 "per pop". US cellular companies are often valued on a per pop basis, which is based on the number of people living in the area where they have licences. This is thought by many to be a good basis for judging the future cash-flow potential of such companies.

The attraction to BT of joining up with McCaw is that it offers the possibility of expanding beyond the UK market.

Although BT will only be taking a minority stake in the company, it sees the investment as more than a financial move. It plans also to co-operate with the Seattle-based company on technology and marketing, bringing to bear its considerable expertise in mobile communications in the UK.

In particular, BT will be supporting McCaw's further plans for expansion in the US cellular market. The British company also feels that, once it is established in the US market, it will be able to move into other telecommunications businesses there.

Bridport reorganises US arm as its buy-out fails

By Ray Bashford

BRIDPORT-GUNDRY, fishing and military net maker, is planning a major reorganisation of its principal US subsidiary following the collapse of a $6m management buy-out for the Connecticut-based company.

Directors of Bridport, in which Australian businessman Mr Russell Goward has a 25.3 per cent stake, said that the buy-out had failed because the management was unable to finance the deal.

Talks on the buy-out have been in progress for five months and the decision to terminate them was taken by mutual agreement last week. The Seattle and Canadian businesses have been placed under the control of the UK management.

Production capacity of Brownell, the subsidiary, will be cut back by up to 50 per cent and the company will aim to concentrate on specialised areas of the fishing net business. Mr RE Browne, chief executive of the North American operations, who was part of the buy-out team, has resigned and other staff redundancies are planned.

The company believes that Brownell can increase profitability after the cutbacks. In the 12 months to July 31 last year the company made a profit of $570,000 (£325,000). Brownell's turnover in the same period was $11.4m from a total from all North American operations of $15m. Gronp turnover was £37.9 in the year to July 31.

Mr Patrick Darley, Bridport chief executive, said be continued to be concerned about the intentions of Charterhall, Mr Goward's UK vehicle.

Boardroom changes at AFI

By Vanessa Houlder

Mr John Scholes, a former corporate financier, yesterday joined the board of Amalgamated Financial Investments, after buying a 14.7 per cent stake from Northern Industrial Estates, a friendly society.

The new role of Mr Scholes, who has acted as company secretary since December, may clarify tha direction of the company. AFI, which recently diversified into property investment, has suffered controversy from its dealings with companies with which it shared directors.

DC Cook raises profits 41% to £4.21m halfway

By John Thornhill

DC COOK Holdings, the USM-quoted motor dealer and property developer, lifted pre-tax profits by 41 per cent from £2.44m to £4.21m in the six months to October 31 on turnover raised 69 per cent from £64.29m to £108.91m.

Earnings per share, fully diluted, rose to 9.1p (5.7p) and the directors have rasied the interim dividend to 1.33p (0.95p).

Mr Derek Cook, chairman, said the results demonstrated the success of the company's broadly-based retailing concept, adding that the wide spread of businesses would help to insulate Cook from a downturn in any individnal sector.

Action 2000, the property division which develops sites for oil companies and fast-food operators, provided more than half of profits in the six months.

The motor division made two acquisitions during the period. In July it paid £1.25m for the Manchester-based Lionel Smith dealership which now has a Vauxhall franchise, and in September it acquired Vic Young Garages, in Sunderland and Sonth Shields, from the receiver for £785,500 cash.

The share price closed up 8p at 156p.

● COMMENT

Cook's strong performance looks set to continue, subject to general economic conditions. Its innovative advertising and marketing in the motor sector has won mnch praise, and the wide spread of franchises is seen as a strength. Concentration on the lower end of the car market may prove to be valuable if disposable incomes fall this year. Conversely, however, it could be argued that this sector may suffer more if the demand for second cars subsides. Optimism should perhaps be tempered with a sober assessment of the sectors which Cook operates in. All — including the widely admired property division — are vulnerable in a tightening economy and Cook's mnch-vaunted diversity may still not be enough to insulate it. Gearing of 100 per cent at a time of high interest rates should also be noted. Pre-tax profits for the full year should reach £8.5m, for a prospective p/e ratio of 8.5.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Cardiff Property........fin	1.4	Mar 20	1.3	2.05	1.9
Colorvision § ....fin	3.9	-	1.65	6.5	1.65
Cook (DC) § ....int	1.33	-	0.95	-	2.85
Denmans Elec § ......fin	3.05†	Feb 28	2.65	4.55	4.05
Fitch Lovell ....int	4†	Mar 31	4	-	12
Jarvis (J) ....int	0.75	-	0.5	-	1.6
Moorfield Ests § ....fin	1.575	Apr 6	-	1.575	-
Stanley Leisure ....int	1.75†	Feb 25	1.5	-	3.6
Symonds Eng ....int	0.3	-	0.3	-	1
Trusthouse Forte......fin	6.64	Apr 8	5.57	8.4	7.1
VSEL Consortium ....int	3†	-	3	-	10
Waverley Cameron ..int	0.3†	Feb 27	-	-	0.2625

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- BCE, Heath (Samuel).

Finals- Hunterprint, St Andrews Trust, Splash Products.

FUTURE DATES

Interims-

Ashtead	Feb. 20
Saville Gordon (J)	Jan. 24
Second Alliance Trust	Feb. 10

Finals-

Alliance Trust	Mar. 10
Camford Engineering	Jan. 25
Cauldon	Jan. 27
Higgs & Hill	Apr. 11
Nash Industries	Jan. 24

UK COMPANY NEWS

Strike cuts VSEL interim profits by 29% to £5.6m

By Vanessa Houlder

A 12-WEEK strike last summer cut interim pre-tax profits at VSEL Consortium, naval defence contractor, by 29 per cent to £5.59m (£7.9m).

Turnover for the six months to September 30 also fell by 29 per cent, from £177.1m to £125.2m.

Mr John Gray, finance director, said that VSEL was surprised by weekend press reports that the Ministry of Defence would acquiesce to a takeover bid.

He added that VSEL saw no reason why the Government, which has a golden share, would reverse its position stated in 1986 when it preferred a management buy-out to the higher bid put in by Trafalgar House.

VSEL had received no approaches, although it recognised that it might be on the hit-list of a number of companies, Mr Gray said.

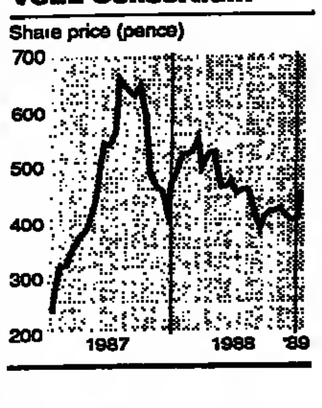
Lord Chalfont, group chairman and acting chief executive, said that although profits would fall in the full year, much of the impact of the loss of production would be to defer profits.

Mr Gray said a lasting effect of the dispute would be the loss of interest on its cash balances, which would amount to about £2m in the second half.

The schedule for boats nearing completion, such as Trenchant and Upholder, did not allow enough time to compensate for the three months' loss of production.

However, later boats, particularly the Trident vessels, were expected to meet the original completion dates.

VSEL Consortium



Lord Chalfont said that the board had full confidence in the future as a result of a £2.5bn order book, which extended well into the 1990s.

Mr Gray said that the Trident workload would ensure sufficient work for Cammell Laird for the next 15 months, although it would need to find new orders for the year ahead.

A tax charge of £357,000 (£396,000) resulted from the write-off of Advanced Corporation Tax.

Net earnings per share decreased from 21.3p to 14.7p and the interim dividend was maintained at 3p.

● COMMENT

VSEL is starting to look like a two-way bet. The takeover speculation that kicked the shares' value up by an eighth since the weekend, cannot be entirely discounted. There would be no shortage of likely suitors and given an acceptable bidder, the Government might well be ruled by the marketplace. But takeover gossip aside, VSEL's shares still look attractive on a long-term view. It has a secure order book well into the 1990s and good prospects for improvements in its productivity. Gains in productivity are expected to outweigh the costs of last summer's bruising strike, for example. That said, the company will not be able to put the strike behind it for the next three years. The costs of the settlement are being spread over that period, and in addition, its drained cash balances will result in substantially higher interest payments. These factors mean that analysts have reduced this year's forecasts to about £16m. After writing off advanced corporation tax, that puts the shares, up 4p to 447p, on a prospective rating of 11.

Colorvision meets City expectations with doubled profits

By David Waller

COLORVISION, the Liverpool-based television and video retailer which operates via a unique chain of "management enterprises", yesterday reported more than doubled pre-tax profits and earnings for 1987-88.

In the year to end-September, taxable profits for this USM-quoted company rose from £1.6m to £3.62m on turnover ahead 91 per cent to £34.58m. Earnings per share surged from 7.25p to 17.5p. However, the results were in line with market expectations, and the shares eased 3p to 335p.

Mr Neville Michaelson, chairman, said it would be foolish to expect the slowdown in consumer spending not to have some effect on the current year's results. However, he was optimistic that there were plenty of avenues for further growth using the management enterprise system, whereby shop managers take an equity stake in each outlet.

From the geographical point of view, the strategy would be to concentrate on the north-east and the midlands, rather than the south, where the dampening of consumer spending was expected to be felt most. There were now 50 outlets open, against 24 at the end of 1987. Waiting in the wings are 25 people training to be management entrepreneurs.

Sales were likely to be stimulated by the advent of satellite television, Mr Michaelson said. The company has identified six different sources of supply for the equipment – and 500 customers have already placed orders for the apparatus.

The recommended final dividend is 3.9p, making 6.5p for the year.

Colorvision is also planning a 1-for-3 scrip issue to improve marketability of the shares and "to bring the issued capital more in line with the company's growing reserves".

Recruitment difficulties affect Abbey Life's direct sales force

By Nick Bunker

ABBEY LIFE, the life insurer which merged last year with Lloyds Bank's retail financial service businesses, saw its direct sales force shrink slightly last year, underlining the difficulties some life companies now face in recruiting and keeping top-quality salesmen.

The self-employed sales force contracted by 30 to 3,152, as a result of what Mr David Baggaley, finance director, said were "more demanding selection criteria."

The Financial Services Act, Mr Baggaley said, was also leading to a greater emphasis on maintaining quality.

Besides the contraction in the sales force Abbey's figures also showed relatively flat growth in sales of new regular premium life assurance policies, which rose 3 per cent to £62.6m.

Such sales however include mortgage-related life policies, which were affected in the second half of the year by the decline in house purchase activity.

Another factor was a 15 per cent decline in sales by the group's Broker Division, which sells via independent intermediaries.

Abbey also attributes this to the Financial Services Act, which is causing a drop in the number of independents.

Abbey pushed strongly ahead though with sales of regular premium pensions products, which jumped 51 per cent to £50.1m. Overall, new business from regular premium products was up 23 per cent at £114.7m.

On the single premium life assurance side, which includes lump sum investments products such as linked bonds, a hybrid of insurance and unit trusts, Abbey's sales were hit, as expected, by the aftermath of the October crash. New business fell 50 per cent to £130m.

At Black Horse Life, one of the Lloyds subsidiaries acquired by Abbey, regular premium sales jumped from £4.8m to £34.8m, while single premiums were up 6 per cent at £212m.

Dutch hosiery buy for EHP

EUROPEAN HOME Products, the diversified consumer products group, is to pay up to Fl 9m (£2.43m) for Ipko-Amcor, the largest hosiery distributor in the Netherlands, writes Clay Harris.

EHP's existing interests in the sector include Werner, the West German sock manufacturer, and Scholl, the European-wide distributor of specialist footwear and hosiery.

Most of Ipko-Amcor's tights and socks are sold under private labels by Dutch retailers. Its annual turnover of £12m compares with Werner's DM 55m (£16.8m). The latter's branded products achieve better margins.

Although there is no geographical overlap, EHP expects benefits from joint design and purchasing. It is paying an initial Fl 5m with an additional Fl 4m linked to profits over the next three years.

EHP is also European distributor for Singer sewing machines and Coppertone suntan products.

LEIGH INTERESTS has purchased Skipper (Merseyside) for £210,000 cash.

Stanley Leisure rises by 49% to near £2.5m

By Graham Deller

INCREASED turnover in both the racing and casino divisions enabled Stanley Leisure Organisation to report pre-tax profits 49 per cent ahead at £2.42m in the half year to October 30.

Turnover expanded 37 per cent from £37.27m to £51.21m. Mr Leonard Steinberg, chairman, said the downturn in consumer spending was not affecting the group, and turnover prospects in all divisions remained buoyant.

The racing side had been helped by the installation of Satellite Information Systems into the group's betting shops, he said.

Stanley currently has some 150 shops showing live horse and greyhound racing daily.

Installation of SIS throughout the division should be completed towards the end of 1989.

Stanley's three casinos, at Liverpool, Manchester and Newcastle, traded at improved levels.

Mr Steinberg said that the move to new premises in Liverpool has been fully justified with membership, attendance and turnover indicating a strong case for additional tables.

The new snooker division had a quiet first half and Stanley had taken the opportunity to improve facilities at three of its four clubs.

Benefits of larger bar and lounge areas should show in the second half, he stated.

Tax took £854,000 (£579,000). earnings per share rose to 9.73p (6.8p) and the interim dividend is raised from 1.5p to 1.75p.

Beazer sheds Koppers' arm

By Philip Coggan

Beazer, the construction and aggregates group, has made another disposal of one of the businesses formerly owned by Koppers, which Beazer acquired for $1.7bn last year.

The company is selling its phenolic foam insulation producing plant in Wisconsin, together with associated technology, for $22m (£13m) in cash. The principal purchaser is Manville Corporation.

Highgate & Job

Highgate & Job, the Paisley-based chemicals manufacturer, reported taxable profits up from £8,000 to £76,000 in the six months to September 30. Turnover declined 14 per cent to £759,000. Earnings per 50p share were 3.7p (0.4p).

News Digest

DENMANS ELECTRIC

Wholesaling sees strong advance

STRONG PROGRESS in its electrical wholesaling operations helped Denmans Electrical to increase profits and earnings by more than 50 per cent in the year to September 30. The taxable result rose from £1.1m to £1.67m and earnings grew from 16.2p to 24.88p. Turnover of the USM-quoted company rose 24 per cent from £22.15m to £27.48m.

The directors have recommended a final dividend of 3.05p (2.65p), for a total of 4.55p (4.05p).

MELVILLE GROUP

Purchase for initial £3m

The Melville Group has made its first acquisition since it gained a full listing in October 1988 with the purchase of Plazlek Group for an initial £3m cash.

There is a performance-related deferred consideration of up to a further £3m, payable in October 1989. Plazlek's pre-tax profits for the year to end-April 1988 were £408,000 on turnover of £3.63m.

CLOGAU GOLD

Turnround on changed profile

Clogau Gold Mines yesterday unveiled pre-tax profits of £191,394 for the six months to end-September. The outcome compared with a deficit of £149,053 in the previous half year.

Turnover, representing gold sales, jumped to £1.88m, up from just £7,777 last time. Interest charges amounted to £35,709 (£23,769 receivable). Earnings per 10p share worked through at 0.59p (losses of 0.57p).

LYON & LYON

Tees Towing lifts stake

Tees Towing Company, Middlesbrough-based towing contractor, has acquired an additional 3.68 per cent of Lyon & Lyon to raise its stake in the West Yorkshire motor dealer to 11.43 per cent.

The shares were transferred from Seahorse Securities, a private investment company, which has gone into voluntary liquidation.

KEWILL SYSTEMS

Rise of 69% to £0.73m midway

For the six months to September 30 1988 Kewill Systems, USM-quoted computer software company, announced a 69 per cent increase in pre-tax profits from £430,000 to £726,000. Turnover more than doubled to £5.41m against £2.52m.

Earnings per 5p share worked through at 8.21p (4.73p) after tax of £235,000 (£163,000) and minorities of £2,000 (£1,000).

CARDIFF PROPERTY

Profit trebled to £120,000

Pre-tax profits at Cardiff Property more than trebled from £31,394 to £119,097 for the year to September 30. Tax took £35,679 (£15,311).

Earnings were 3.6p (0.8p) and the final dividend is 1.4p (1.3p) to make a 2.05p (1.9p) total.

MOORFIELD ESTATES

Sharp rise in assets growth

Moorfield Estates, USM-quoted commercial and residential property developer, topped its April flotation forecast by 37 per cent with profits of £1.33m pre-tax for the 12 months ended October 31. The profits were also more than double 1987/88's £613,000.

Earnings per share worked through at 11.4p (5.9p) and the dividend is 1.575p.

SYMONDS ENGINEER

Growth of 53% at six months

Symonds Engineering pre-tax profits were 53 per cent ahead for the half year to September 30 at £131,461 against £85,653. The interim dividend is maintained at 0.3p, payable from earnings ahead to 0.816p (0.578p) per 5p share. Tax charged was £48,583 (£26,583).

NTHRN INDUSTRIAL

Slightly up at midterm

Profits before tax of Northern Industrial Improvement Trust, edged ahead from £176,800 to £180,800 in the six months ended September 30. Earnings emerged at 10.45p (10.02p).

J.JARVIS

Well ahead at six months

Reorganised J. Jarvis Holdings returned profits of £606,000 against £330,000zpre-tax for the half year ended September 30. Turnover was up £1m at £20.05m. First – half earnings amounted to 3.62p (2.59p) per 5p share and the interim dividend is being lifted to 0.75p (0.5p).

COMPANY NEWS IN BRIEF

AIRTOURS: Company's share of the summer package holiday market had substantially increased, chairman told annual meeting. Winter bookings are double those of last year, although company's programme size continued to increase disproportionately in summer which will again result in losses at the half year.

ARGYLE TRUST: Offer from Dewey Warren declared unconditional after acceptances in respect of 20.14m (90.57 per cent) ordinary sharee and £2.91m nominal (95.61 per cent) of loan stock.

CHARLES CHURCH Developments: A total of 20 international banks are making available to the company funds of up to £100m for its future expansion. This follows the recent signing of an arrangement by County NatWest for an increase of £40m to the company's mutiple option facility.

CORAH shareholders have accepted Charterhall's offer in respect of 21.25m ordinary (60.5 per cent). Charterhall now owns or has acceptances for 90 per cent of Corah's issued ordinary shares. The offer, declared unconditional, will remain open until February 3, as will the loan note alternative.

CHRISTIE GROUP is acquiring Hocaps, a recruitment agency specialising in the hotel and catering industry. Payment is being met from the company's cash resources.

FIVE OAKS Investment has completed the long leasehold sale of Swan National House, Uxbridge to National Provident Institution for £5.6m.

OVERSEAS INVESTMENT Trust: net asset value at December 31 1988, compared with at November 30 1988, with prior charges, stood at nominal value of 243.1p (235p) and market value of 241.5p (233.2p).

REGINA HEALTH and Beauty Products, London-based royal jelly company, is acquiring Irish Health and Beauty Products, its agent in the republic. The payment of £250,000 cash is to be satisfied in three stages up to 1990.

ROYAL TRUST Yen Bond Fund: Net asset value Y198.17 at October 31 1988, marginally lower than Y198.67 reported a year earlier.

RUHAAK HOLDINGS has purchased Penn Anodising, a Buckinghamshire-based aluminium anodising and fabrication business for an initial £325,000 cash plus a profit-related payment to a maximum £200,000. Ruhaak also confirmed intention to seek Third Market listing.

WA HOLDINGS has purchased the freehold of the premises of its ME Mechanical Handling subsidiary from the Peterborough Development Corporation for £420,000 cash, before related costs.

ZYGAL DYNAMICS: Offer from Misys accepted in respect of 97.09 per cent of equity capital. Offer remains open and Misys commencing compulsory purchase procedures.

UK COMPANY NEWS

Lord Prior (left) and Lord Weinstock at the meeting yesterday

Lofty issues are put in perspective

By Philip Coggan

THE GREAT and the good – including four peers of the realm – assembled for GEC's extraordinary general meeting yesterday but, as so often happens, the small shareholders stole the show.

Lord Prior, chairman, and Lord Weinstock, managing director, answered the questions as Lord Rees-Mogg, newly appointed guardian of broadcasting, and Lord Catto, the former chairman of merchant bank Morgan Grenfell, looked on.

With all the recent announcements of bid consortia and joint ventures, it was not surprising that some shareholders were confused. Ms Cary Foster said she had read a "different report in the newspapers every day" but had gathered that GEC "already had control of GE of America."

Lord Weinstock quipped, to much laughter, that control of GE "will be for the meeting next year" before Lord Prior enlightened the confused Ms Foster.

Not all exchanges were so pleasant. A Mr Goodman, who said he had been a shareholder for 30-odd years, said he had grown "more and more dismayed" at GEC's performance.

He opposed the link with Siemens which he said was "down and out" a few years ago and, in what seemed a barely veiled attack on Lord Weinstock, said GEC should not be a "one-man company."

In the end, however, the mood of the meeting was more in favour of Lord Prior, who declared that "GEC is a great company, needs to be a great company and will remain so." Only four shareholders voted against the proposal to go ahead with the Plessey bid.

But the lofty issues of European competition and industrial restructuring were put in their place by the last speaker. She congratulated the board on holding the meeting at the Hilton rather than the nearby Dorchester where she had experienced "the cheapest possible biscuits in the most limited supply."

Lord Prior thanked her for her remarks but pointed out that the Dorchester was closed for refurbishment.

Fitch Lovell held back to £13.3m

By Fiona Thompson

SLUGGISH SUMMER sales, increased meat prices and reorganisation costs resulted in Fitch Lovell, food manufacturer and distributor, reporting a modest 7 per cent increase in interim pre-tax profits.

The advance from £12.4m to £13.32m for the six months to October 29 1988, was made on turnover down to £254.79m from £265.24m. However, excluding the sales of disposed businesses, the underlying turnover increase was 6 per cent.

"The sun doesn't always shine," said Mr Geoffrey Hankins, chairman and chief executive. There were two or three problems which held back profits, he said. Not least a seven-week strike at Newforge Foods, one of the specialist distribution companies, which cost £300,000, and last autumn's acquisition of the UYC distribution business with costs of £200,000.

On the distribution side, profits were £5.33m (£5.22m) on sales of £104.41m (£100.78m). The division had two sides, food service to caterers and specialist distribution to retailers. The former operates Pullman Foods, which distributes frozen foods, Fitch, distributing grocery products, and Fitch Multi-Temp, a multi-temperature distribution service.

On the manufacturing side profits rose from £7.77m to £9.32m on sales of £150.38m (£139.85m). The fish processing operations reported good growth, as did the convenience foods businesses and Jus-rol, making frozen pastry and potato products.

However, performance was mixed in the meat and delicatessen operations. Meat prices rose by 10 per cent. In addition, the restructuring of the group's cooked and cured meat operations led to production difficulties resulting in lost volume and declining yields.

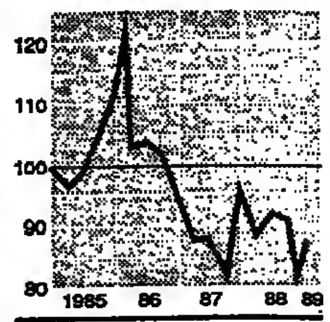
There was a need for caution in assessing the outlook for the immediate future, said Mr Hankins. The current fiscal policy was likely to effect spending on food, especially on convenience foods and eating out.

As for the effect of the recent concern about health issues relating to chilled and convenience foods, this was difficult to predict, he said.

Tax took £4.13m, as against £3.59m. Earnings per share lifted from 11.08p to 11.49p. An unchanged interim dividend of 4p was declared.

Fitch Lovell

Share price relative to the FT-A All-share index



● COMMENT

The City was disappointed by these results and the downbeat tone of the statement and marked the shares down 12p to 263p. While Fitch's long-term policy – to concentrate on catering distribution – is felt to be the correct one, a number of factors have delayed the fruits of the strategy coming through. A fresh problem this year could be the impact of the EC order cutting the total allowable catch of cod and haddock, which will hit supply and price. The great unknown is how the company will be affected by the recent health controversy over chilled and convenience foods. A rise in the tax charge from 28.5 per cent to 31 per cent and the increase in the number of shares following the rights issue will keep earnings growth flat. Analysts' forecasts of about £32m pre-tax for the full year put the shares on a prospective p/e of 10.5, at a premium to the sector.

Pericom loss rises as hoped-for improvement fails to materialise

By Katrina Lowe

PERICOM, computer manufacturer, maintenance and distribution company, failed to break even in the second half of the year to September 30 and losses increased from £828,000 at the midway stage to £1.29m for the year. This compared with a profit of £610,000 in the previous year, which was also hit by contraction in the industry and currency factors.

The directors of the USM-quoted company had hoped for a return to profit in the second half, although not enough to offset losses incurred in the first half. In the event trading conditions remained difficult, currency exchange losses absorbed £105,000 and stock and debtor provisions took £767,000. The directors have not recommended the payment of a final dividend, there was no interim payment.

Turnover during the year rose 16 per cent from £16.76m to £19.36m. The rise was due mainly to maintenance and distribution activities, which contributed about 50 per cent of the figure. The company's long-term aim is to reduce manufacturing to about 25 per cent of overall activity.

The reorganisation of the UK maintenance and distribution activities into one company is expected to be completed by the end of the first half. Investment in the maintenance side, expected to total £250,000, is underway to link all regional offices to a centralised computerised field service management system.

The directors plan to effect the sale and leaseback of the company's headquarters in Milton Keynes to improve the cash position and reduce the burden of high interest rates on borrowings.

The range of software products for personal computers introduced in 1988 is seen as an area for advancement. Mr Ron Cragg, chairman, said initial results had been encouraging. In the first two months of the current year, ignoring exchange losses, a trading profit had been achieved.

Mr Cragg warned, however, that problems within the computer industry may continue to affect performance.

Suter builds 7% stake in Johnson & Firth Brown

By Ray Bashford

SUTER, the industrial holding group facing a possible takeover, has taken a 7 per cent stake in Johnson & Firth Brown, the Sheffield-based metals and engineering company.

The holding has been acquired during the past six months with about 2 per cent purchased during the past two weeks. Suter recently made contact with the JFB board to inform it of the holding.

M&G is the largest shareholder, owning about 10 per cent of the capital. The bulk of the shares are held in relatively small parcels.

Suter declined to explain its intentions regarding the stake. It said on Wednesday that plans for a management buy-out had collapsed and that it had received a request for information which might lead to a takeover.

JFB returned a pre-tax profit of £7.7m during the last financial year on a turnover of £99m. At the height of its problems in 1983 losses reached £10.9 on a turnover of £102m.

Its shares have moved up from about 40p this year, rising ½p to 49½p yesterday.

Baynes sells hacksaw blade operations

By Nikki Tait

Charles Baynes, the Cardiff-based former shell company into which South African businessman Mr Bruce McInnes moved 17 months ago, has sold its hacksaw blade manufacturing operations for £785,000 cash.

The buyer of the Charles Baynes Engineering susidiary is Home Improvement Industries, a private company. In the 15 months to the end of December 1987, CBE made pre-tax profits of £110,000 and had net assets of about £410,000. Baynes said that the deal should enhance earnings marginally.

CBE was part of the group before Mr McInnes took over the reins, and Baynes said that it no longer fitted the group's "strategic criteria".

With the proceeds of this sale, net cash balances will top £3m.

Just ahead of the 1987 stock market crash, Baynes made its first deal – the acquisition of Technical Component Industries for £34m – but has had a low profile on the acquisition front since then.

New business illustrates Equity and Law recovery

By Eric Short, Pensions Correspondent

EQUITY AND LAW, now a subsidiary of Compagnie du Midi, the French insurance and industrial holding group, is rebuilding its position in the UK life assurance market after the decline seen during 1987.

Its new business figures for 1988 show a recovery from the rather dull results of the previous year as independent advisers started to resume business with the company.

The main success story in the UK related to the pensions sector and the new environment brought about by the radical changes made by the Government.

New annual premiums on individual pensions rose 30 per cent from £11.6m to £15.1m and single premiums 9 per cent from £21.9m to £23.9m.

Although these growth rates were below the average for the industry, the company did participate in the pre-July sales boom of retirement annuity contracts prior to their replacement by the new style person pensions. Here, the company saw steady business, including rebate-only personal pensions.

The company also participated in the new style company money purchase pension schemes made attractive by the new environment. New annual premiums were 62 per cent higher at £10.2m and single premiums up from £3.1m to £3.9m.

The other success story was in the sale of contracts linked to house mortgages where, despite not having many strong connections with building societies, its annual premiums rose by a quarter from £7.5m to £9.3m.

The company's own mortgage operations contributed £1.6m in the second half of the year.

Personal investment business was rather slack in 1988. Single premium life bond sales were drastically reduced from £78.5m to £27.6m and direct unit trust sales fell from £50.1m to £8.9m.

Although the overall industry saw a decline last year in both these fields, the company's experience was probably below average.

Battle for West Kent Water

By Andrew Hill

SOUTHERN WATER Authority and Associated Insurance Pension Fund yesterday mounted a £5.79m hostile offer for West Kent Water Company's voting stock, their second controversial counter-bid in the private water sector this week.

The offer is nearly 11 per cent higher than a recommended bid from SAUR Water Services, a subsidiary of Bouygues, a French construction and service group.

SAUR is also bidding for West Kent's neighbour, Mid-Sussex, which shares senior management and five out of six directors with West Kent. Although Southern and AIPF had been considering a counter-bid for Mid-Sussex as well, yesterday's bid may be enough to thwart both SAUR offers, which close today.

Mr Michael Streeter, managing director of West Kent and Mid-Sussex, said yesterday: "The whole thing is very unsettling. It's a particular dilemma for me because I have a service contract from both companies, as does the chief engineer."

Southern and AIPF – an investment vehicle for Mr Duncan Saville, a businessman based in Sydney, Australia – together hold 39.3 per cent of West Kent's voting capital and 32.2 per cent of Mid-Sussex.

On Tuesday, they confronted SAUR's rival, Compagnie Générale des Eaux, with a counter-bid for nearby Folkestone and District Water Company.

The UK's 10 water authorities deal with waste water in areas where the water supply is handled by the 29 statutory water companies. Southern claims it could gain significant economies by linking up with water companies in its area.

Mr William Courtney, chairman of Southern, yesterday tried to calm fears that amalgamation with the authority might lead to job losses at Folkestone and West Kent.

"It is not our wish to put a lot of people out of work. We don't do that at Southern and we don't intend to do it elsewhere," he said.

The possibility of a Southern/AIPF counter-bid for Eastbourne Waterworks was ruled out yesterday when SAUR declared its agreed offer unconditional.

However, Southern and AIPF, which together hold 35.1 per cent of Eastbourne's voting stock, may retain a minority stake.

They are offering £235 for each £10 nominal of West Kent's voting stock, compared with £211.96 offered by SAUR, which is also bidding for the non-voting stock.

The Southern/AIPF bids have been launched through AIPF Water Fund, a private joint venture controlled by AIPF, in an attempt to hurdle central funding limits on public bodies.

They are unaffected by last week's Government restrictions on water merger policy because neither West Kent nor Folkestone have fixed assets worth more than £30m – any higher and the takeovers would be automatically referred to the Monopolies and Mergers Commission.

● Cambridge University, St John's College, Cambridge, the Cambridge Water Employees Investment Club and certain individual investors have clubbed together to safeguard Cambridge Water Company against takeover.

Together they own 66 per cent of Cambridge Water's voting capital and have agreed only to sell shares to one another.

COMMODITIES AND AGRICULTURE

Opec restraint drives oil prices to 14-month peak

By Max Wilkinson, Resources Editor

CRUDE oil prices on the New York Mercantile Exchange eased slightly yesterday after reaching their highest levels since November 1987. However the price of Brent crude, which had been lagging the recent rapid rise in US prices, continued to move upwards.

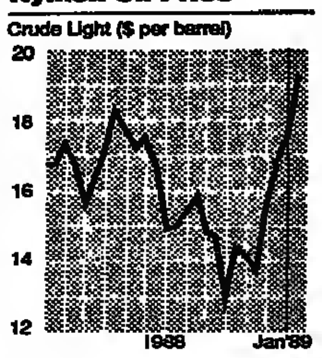
By midday, light crude for February delivery was quoted at $19.15 per barrel on the NYMEX, a decline of 11 cents since the close of trading on Wednesday.

On London's International Petroleum Exchange, the March Brent crude futures contract closed at $17.09 per barrel after hitting $17.20 during the day – the highest level since ths contract started trading last June.

In Europe Brent crude prices moved ahead to $17.70 from $17.45 per barrel yesterday as buyers continued to react to the tightening of supplies.

Nymex Oil Price

Crude Light ($ per barrel)



The recent steep rise in spot and futures oil prices reflect efforts of the major Gulf oil producers to curb oil production to ceiling agreed at the meeting of the Organisation of Petroleum Exporting Countries in Vienna in November.

The agreement to curtail the group's production from December's lavel of about 22.8m b/d to the new total of 18.5m b/d came into force in January.

The recent sharp rises in oil prices reflected reports that Saudi Arabia would supply Japan with only 75 per cent of its contracted volume of crude in February.

It is also believed in the market that Abu Dhabi, which has consistently exceeded its Opec quota in the past, is also making strenuous efforts to come back into line with the agreed production level.

According to oil industry executives Saudi Arabia told Mitsubishi Corporation, which has a long-term contract to buy 100,000 b/d of oil on behalf of six Japanese refiners, that it would receive only 77,000 b/d in February.

Western Desert deals signed

By Tony Walker in Cairo

EGYPT HAS signed exploration and production sharing agreements for three concessions in the Western Desert amid signs of renewed activity in the oil and gas sector after a fairly slow period.

Agreements have been concluded with a consortium led by Agip of Italy and with Royal Dutch Shell for acreage in a promising new oil province west of Cairo.

Agip's partners in its 2,640 sq km concession, 300 km from the capital, include British Petroleum, Broken Hill Proprietary of Australia and Idemitsu of Japan. The consortium has agreed to invest some $50m in its exploration effort.

Shell's new acreage includes the 4,360 sq km Obayied and the 1,887 sq km Matruh concessions in the far Western Desert towards the Libyan border. Shell has agreed to commit $61m and $33m respectively over an eight year period to exploring its Western desert concessions.

Meanwhile discussions are continuing between Egypt and an Agip-led consortium, which includes BP, for the development of a new gas deposit in the Nile Delta.

Wrangling over legalities of a gas sales agreements are holding up the signing. Shell signed a gas sales agreement in mid-1988 for its Badr deposit, west of Cairo. Mr Tareq Hegy, Chairman of Shell in Egypt, said work on developing the deposit was 40 per cent complete. He expected production to begin in 1990.

Foreign companies already involved in Western desert production include Phillips, Conoco and Texas International of the US, and Denison Mines of Canada. Production from relatively small fields is being piped to a transhipment point at Hamra on the Mediterranean coast, west of Alexandria.

The latest exploration and production agreements for the Western Desert follow the standard Egyptian model – with 40 per cent of production set aside for cost recovery and the balance divided on an approximately 80:20 basis between the Egyptian General Petroleum Company and the foreign companies.

Venezuela plans 2 per cent export cut

By Joe Mann in Caracas

VENEZUELA, the fourth largest producer in the Organisation of Petroleum Exporting Countries (OPEC), plans to export 1.59m barrels a day of crude oil and refined products this year, according to government figures.

The export target for 1989 represents a decrease of about 2 per cent from average daily exports of 1.62m b/d last year.

Petroleos de Venezuela, the country's national oil company, intends to raise crude oil production potential this year slightly, to 2.77m b/d, aven though the country's Opec production quota for the first half of 1989 is only 1.64m b/d, up 65,000 b/d from last year's allotment.

The higher level of production potential would provide greater flexibility to alter production patterns among light, medium and heavy crudes.

However, Venezuela may be forced to reduce its overall crude production slightly in real terms during 1989 as a result of applying Opec norms to its output of condensates. For several years, Venezuela has seperated overall production into three classifications: crude oil, condensates and natural gas liquids. Up to now, it has not included condensate production within its Opec quota.

After complaints from Kuwait, however, norms on condensates will be applied this year that will oblige Venezuela to classify some of its denser condensate production as crude oil.

Full production details for 1988 have not yet been made public, but while Venezuela's reported output of crude oil ranged between 1.563m and 1.583m b/d during the January to October period condensate production ranged from 168,000 to 204,000 b/d. Production of natural gas liquids during the ten-month span ranged between 88,000 and 111,000 b/d, but gas liquids will not be affected by the new norms.

Gold heading for $300, says analyst

By Kenneth Gooding, Mining Correspondent

THE GOLD price, $403 a troy ounce last night, might drop to about $300 an ounce by the last quarter of this year, suggested Mr Rober Weinberg, analyst with James Capel, the London securities house, yesterday.

Other London anaylsts are also forecasting a further fall in the gold price this year but hardly any believe it will reach the leval Mr Weinberg suggested.

Mr Alan Baker of Kleinwort Benson Securities predicts the gold price will average $380 an ounce this year against $437 in 1988. Ms Rhona O'Connell at Shearson Lehman Hutton suggests the price will move between $385 and $450 an ounce.

Mr Weinberg pointed out that gold was currently in a bear market which, if it followed previous experience, would continue into the last quarter of 1989.

There were several key price levels to watch for as gold drifted lower, including $400 an ounce – "important at least psychologically" – while chartists would see $220 an ounce as the bottom of the long term bear trend.

"I have no idea where the downtrend will end. If I had to bet, I would put my money on a low for this cycle of $300 towards the end of the year," Mr Weinberg told a conference

Kleinwort's Mr Baker suggested that gold was trading "as a mere commodity" with little or no investment or speculative demand likely. The price, therefore, became relegated to the role of balancing supply from mines with demand from tha jewellery industry.

"Many forecasts have been made as to where this basal equilibrium lies. Our forecast is $325 an ounce," said Mr Baker.

Ms O'Connell suggested that the gold price would be at $450 an ounce if it was not for producers raising gold loans. These loans, which effectively involve gold miners selling future production today, were putting a downward pressure of the price.

The current strength of the US dollar was also a bearish influence but, if the dollar took a breather, the gold price would probably rally because there was currently a physical shortage.

Ms O'Connell said that professional investors had lost interest in gold. Those that were in the market were content to take a smaller profit than last year, thus helping to keep the gold in a very narrow trading range and lessening its attraction to the professionals.

EC walks farm price tightrope

Tim Dickson examines this year's complicated proposals

The European Commission is getting canny. Though waiting journalists and other eager inquirers were frustrated on Wednesday night as the i's were dotted and the t's were crossed, the 1989-90 farm price package was skilfully presented in Strasbourg when it finally emerged.

The simple message of a price freeze delivered by Mr Ray MacSharry, the EC's new Agricultural Commissioner, hardly sounded like a harsh attack on the Community's farmers. At the same tima it sought to convey to trading competitors like the US and New Zealand the EC's determination to keep up its recent attack on agricultural supports.

Ray MacSharry: trying to square the circle

Pleasing producers on the one hand and soothing the international community on the other, however, is a circle which the European Commission's agricultural policymakers will find increasingly hard to square, as considered reaction to this week's proposals is soon likely to show.

Not far into the fine print it becomes obvious, for example, that the price changes in the accompanying table are averaged out over many products, that they ignore the impact of inflation, and that they take no account of the additional and automatic price cuts for arable products (notably cereals) which either already have been, or look certain to be, triggered under the "stabiliser" system next season.

The most controversial part of the package for producers in the Northern member states is probably the section which deals with cereals, where no change in the EC's guaranteed "intervention" price for wheat, barley or maize is being sought. This, however, does not tell the full story for the proposals made under "related measures" could have a significant impact on farm incomes. These measures incorporate a further two-stage shortening of the period when cereals can be offered to "intervention", so that it will only run from January 1 to May 31 in 1990-91, plus a 25 per cent cut in the level of the storage subsidies known as "monthly increments", to be paid out for four months ultimately, rather than the present seven.

The Commission yesterday could not give a breakdown of the total price impact on producers for the next marketing season for each product – but taking into account the automatic 3 per cent price penalty which has already been announced for the breaching of this year's harvest ceiling of 160m tonnes, plus the revaluation of the green Deutsche Mark in line with the accompanying agri-monetary changes West German farmers appear to be facing a 5 to 10 per cent cut in the price paid for their cereals.

No wonder Mr MacSharry – conscious perhaps of the rough treatment he can expect from Bonn at next week's Farm Council in Brussels – pointedly drew attention at his briefing in Strasbourg to the 10 per cent real increase in farm incomes in Germany last year.

His decision to single out the 10 per cent cut in the real rewards of their British counterparts may not have been quite so prudent, judging by the critical response to the Brussels "screw-tightening" from Mr Simon Gourlay president of the National Farmers' Union yesterday. Mr Gourlay's claim that the arable sector in the UK is "now facing intolerable pressures" was backed up by NFU experts who drew attention to the high level of UK inflation (and thus the real price cuts on the table) and the limited scope due to sterling's recent strength for "backdoor" price increases through devaluing the so-called green pound rate (used to convert common Ecu denominated price into national money).

The 5 per cent cut in the common sugar price – "to attempt to improve its competitive position vis a vis competing products," according to Mr MacSharry – is another part of the package certain to provoke squeals from the relevant farm lobbies. Less sympathy, however, can be expected to shown in Brussels where it has long been the view – reinforced by the "weak" stabiliser regime for tha sector agreed last year – that though the cost to the Community budget is slight the profits to producers are more than adequately large.

Other proposed new restrictions which belie the general message of a simple price freeze include the introduction of production thresholds for apples and cauliflowers and accompanying automatic price cut mechanisms for these sectors, and a lowering of the withdrawal price for oranges of 7.5 per cent in 1989-90 and by a further 7.5 per cent in 1990-91.

As expected there are no changes in the institutional prices of beef or sheep, though the 2 per cent cut in the intervention price of butter, already proposed by the Commission to pay for those farmers unfairly deprived of dairy quotas, has been incorporated into the package.

Some of the toughest bargaining may again take place over the proposed elimination of monetary compensatory amounts (MCAs), the complex taxes and subsidies designed to even out the effect of currency fluctuations on cross border farm trade. This is going to become an increasingly complex and sensitive dossier in the run up to 1992, when Community farm Ministers are committed to the complete phasing out of the system.

The Commission's proposals essentially reflect this timetable and the other commitment to get rid of the outstanding, pre-1984 "positive monetary gaps" for Germany and the Netherlands by the beginning of next marketing year (implying price cuts in Deutsche Marks and Florins). It is these monetary gaps which leads to the creation of MCAs.

Reducing or eliminating negative MCAs – by devaluing the relevant green currency – leads to a price increase in national currency and the Commission's proposals according to the NFU would mean a 2.6 per cent boost in the UK sheepmeat price, 0.7 per cent for beef, 2.4 per cent for arable products, and 1.9 per cent for other sectors.

The figures in the table – which exclude the impact of stabilisers and "connected measures" but reflect in the right hand column the effect of the agri-monetary changes – are the Commission's best estimates at this stage and may be slightly modified over the next few days.

Editorial comment on Page 16

IMPACT OF PACKAGE ON FARM PRICES (percentage changes)

	In Ecu	In national currency*
Belgium	–0.3	–0.2
Denmark	–0.1	–0.1
W.Germany	–0.2	–1.5
Greece	+0.8	+11.6
Spain	+1.3	+0.4
France	–0.3	+0.7
Ireland	–1.1	+1.4
Italy	–1.8	+0.4
Luxembourg	[illegible]	+0.1
Netherlands	–0.2	–0.8
Portugal	+2.6	+9.2
UK	–0.1	+1.6

*after proposed realignment

Cocoa talks underway

By David Blackwell

THE IVORY COAST, the world's biggest cocoa producer, will be pressed by consumer countries at the International Cocoa Organisation (ICCO) talks for more details of its controversial deal with a French trading house.

"One thing is for sure, this deal does not facilitate the task of the council this week," Mr Peter Baron, spokesman for the consumer countries, said after a consumer meeting on the first day of the talks.

The consumers yesterday discussed the level of prices to be defended (subject of fierce argument with the producers for the past year); the $75m of arrears in levies to the ICCO; the possibility of a withholding scheme to supplement the 250,000 tonne buffer stock; and the rotation of the buffer stock.

They only touched on the Ivory Coast's sale of 400,000 tonnes of cocoa to Sucres et Denrees, but Mr Baron said that next week they would be looking particularly at the deal's impact on tha agreement.

Copper blast loss revised

By Barbara Durr in Chuquicamata

PRODUCTION losses at Chile's Chuquicamata mine following the explosion of a new flash oven last week could be double the initial estimate of 4,000 tonnes of fine copper, according to Mr Cesar Otarola, the mine's general manager. He repeated that repair of the oven would take a minimum of two months.

The explosion at Chuquicamata, the world's largest copper mine, was caused by water coming in contact with molten copper. How this occurred is still under investigation and a report is expected in two weeks.

However, on the day of the accident, officials at Chuquicamata say they suffered an electrical power shutdown. The mine's emergency back-up system initially worked, but also failed for an undetermined period. During this critical time, the electrical pumps for the flash oven's water cooling system could not work.

Workers, apparently in the confusion of the emergency, turned water-hoses on the oven.

WORLD COMMODITIES PRICES

LONDON MARKETS

Robusta coffee futures rose sharply, on concern that Brazil's unions may strike in protest about a government anti-inflation package, dealers said. The market was moving ahead on technical grounds after three days of consolidation, they added. Platinum gained $9.75 an ounce to $533.75, lifted by an increase in the price of palladium which triggered stop loss buying of platinum, traders said. Nickel rose sharply on the London Metal Exchange, boosted, according to traders, by merchant, speculative and what appeared to be producer-linked buying. Sentiment was aided by news that Cerro Matoso will shut its Colombian ferronickel plant for ten weeks in June for maintenance work. Grade A copper and High Grade zinc regained most of the ground lost on Wednesday on renewed fears about possible strikes in Peru.

SPOT MARKETS

		+ or –
Crude oil (per barrel FOB)		
Dubai	$15.65-5.70z	+0.05
Brent Blend	$17.65-7.75w	+0.25
W.T.I. (1 pm est)	$19.15-9.20w	+0.10
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$178-181	+4
Gas Oil	$155-158	+3
Heavy Fuel Oil	$76-78	+2.5
Naphtha	$165-167	+3
Other		
Gold (per troy oz)	$403.0	+0.75
Silver (per troy oz)	596c	+3
Platinum (per troy oz)	$533.75	+9.75
Palladium (per troy oz)	$138.25	+6.75
[illegible]	[illegible]	[illegible]

£ a tonne unless otherwise stated. [illegible]

COCOA £/tonne

	Close	Previous	High/Low
Mar	812	792	810 792
May	819	802	820 809
Jul	826	810	826 817
Sep	829	810	830 821
Dec	860	837	865 843
Mar	860	848	865 853
May	[illegible]	[illegible]	[illegible]

Turnover: 5544 (3098) lots of 10 tonnes. ICCO indicator prices [illegible]

COFFEE £/tonne

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR ($ per tonne)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 13,025 tonne
Cash	2315-25	2348-52	2325	2320-5		
3 months	2285-90	2316-20	2310/2270	2298-300	2280-5	23,047 lots
Copper, Grade A (£ per tonne)						Ring turnover 19,925 tonne
Cash	1944-8	1900-2	1941/1940	1941-2		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES £/tonne

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

GRAINS £/tonne

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

FRUIT AND VEGETABLES

[illegible]

LONDON BULLION MARKET

[illegible]	[illegible]	[illegible]

CRUDE OIL $/barrel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

GAS OIL $/tonne

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

GOLD, silver and copper prices edged higher with a weakening dollar adding support, reports Drexel Burnham Lambert. The platinum and palladium markets broke out of their narrow [illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	19.20	19.26	19.45	19.10
Mar	18.62	18.71	18.85	18.43
Apr	18.10	18.34	18.45	18.05
May	17.60	18.11	18.28	17.85
Jun	17.65	17.95	18.10	17.60
Jul	17.42	17.83	17.95	17.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	753/0	751/6	762/0	750/0
Mar	761/2	770	773/0	760/4
May	773/2	72/4	784/4	772/0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

FT-SE breaches 1900 in heavy trade

ANOTHER STRONG performance by the US dollar, together with favourable data on the domestic economy, kept UK equities sweeping ahead again yesterday. Bid speculation returned to add an extra stimulant to an equity sector driven by institutional demand in markets now badly short of stock. Trading in share options increased hugely, returning to post-Crash peaks.

The FT-SE index pushed well above the 1900 mark in very early trading as strength in the dollar and US equities brought further gains in the international blue chips. The advance later went into overdrive, taking the Footsie up 26 to 1920.2 on hints that a large takeover bid was about to hit the London equity market.

Some of the biggest names in the market were bandied about as possible bid targets, with Plessey particularly active on suggestions that Thomson CSF of France might strike now that the Metsun threat to GEC, which has joined Siemens in bidding for Plessey, has evaporated.

Lacking a real bid sensation, equities slipped back from the day's best levels as Wall Street faltered in early trading. The FT-SE Index closed 18.7 up at 1910.8, territory not seen since the tumultuous week which opened with the Market Crash of Black Monday, October 19 of 1987; however, the Index still remains nearly 400 points short of the pre-Crash close, and some 532 below its all-time peak.

Seaq volume expanded strongly yesterday to 801.6m shares, against 606.2m on Wednesday and 425.3m on Tuesday. The squeeze on market makers tightened mercilessly; "there was some real agony out there," - was one comment. However, genuine retail investment in London equities has increased significantly this week.

The latest economic data on UK average earnings, unemployment, unit wage costs and industrial output was regarded as broadly bullish for domestic interest rates, buttressing hopes that base rates may hold at 13 per cent, and perhaps move down after UK Budget Day in March. The moves towards higher interest rates in Europe, notably the Bundesbank's raising of its discount and Lombard rates, had been foreseen and had little effect in London.

Exceptions to the general market trend yesterday included Hammerson Property, where traders waited for further news from Rodamco. In banks, both Lloyds and Midland closed lower as County NatWest, the UK securities house, prepared to downgrade profit forecasts in the wake of Brazil missing an interest payment to commercial banks.

Account Dealing Dates

First Dealings	Dec 28	Jan 16	Jan 30
Option Declarations	Jan 12	Jan 26	Feb 9
Last Dealings	Jan 13	Jan 27	Feb 10
Account Day	Jan 23	Feb 6	Feb 20

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 13	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.08	87.54	87.54	87.62	87.01	88.59	91.43 (18/4/88)	86.15 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.84	95.71	95.63	95.53	95.51	94.73	96.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1556.2	1540.0	1521.3	1525.1	1519.7	1404.0	1563.5 (19/1/88)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	163.0	162.6	164.8	165.4	163.9	279.9	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.72	4.76	4.82	4.80	4.81	4.45				
Earning Yld %(full)	11.86	11.95	12.12	12.07	12.10	11.16				
P/E Ratio(Net)(*)	10.16	10.11	9.98	10.02	9.98	10.96				
SEAQ Bargains(5pm)	35,073	28,527	25,801	29,812	34,825	25,150				
Equity Turnover(£m)†	-	1238.10	982.41	1282.72	1570.53	1140.10				
Equity Bargains†	-	25,569	28,987	33,101	37,737	34,919				
Shares Traded (ml)†	-	440.5	454.8	504.6	727.8	426.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1553.1	1548.1	1553.8	1558.6	1555.8	1563.5	1561.8	1555.7

DAY'S HIGH 1565.5 DAY'S LOW 1548.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.13 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Jan 18	Jan 17
Gilt Edged Bargains	98.2	121.6
Equity Bargains	191.6	187.8
Equity Value	2502.5	1985.7
5-Day average		
Gilt Edged Bargains	107.2	108.5
Equity Bargains	209.7	208.7
Equity Value	2783.4	2761.3

● London Report and latest Share Index: Tel. 0898 123001

BT deal prompts re-ratings

British Telecom's acquisition of a 22 per cent stake in US cellular telephone operator, McCaw Cellular, did little for BT's share price, which dipped 2 to 271p on turnover of 8.8m, but triggered a general market re-rating of Racal Telecom, Racal Electronic and Securicor Group.

There were mixed views on the price $1.5bn (£858m) BT is paying for its stake in McCaw. One analyst viewed the deal as "good on a long-term view", but another said BT was "paying an awful lot of money in a move which will dilute earnings until the 1990's. Prices for US cellular companies have been puffed up out of all reality - they are trading at absurd levels".

But most analysts agreed that BT's move re-rates Racal Telecom. "BT is paying $138 per head of population for the McCaw shares, Racal Telecom is valued at $80 per head of population."

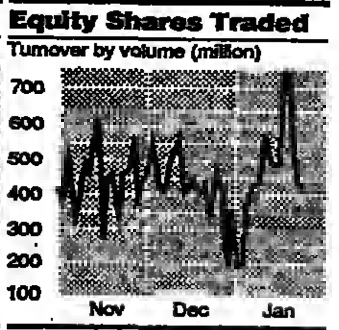
Racal Telecom shares leapt 25 to 333p on turnover of 11m while Racal Electronic, which retains an 80 per cent interest in Telecom, advanced 19½p to 322½p on turnover of 17m shares.

Securicor, which has a 50 per cent stake in the Cellnet joint venture with BT, surged ahead to close 45 up at 469p with the "A" 40 higher at 438p.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)



Plessey alert

The electronics area regained its place as the most active of the market's sectors, with developments in the GEC/Plessey saga again making headlines.

Metsun, a new company set up by Lazards, the merchant bank, to make a consortium bid attempt on GEC, finally withdrew from the arena, and GEC shares slipped back 4 to 208p with turnover expanding rapidly to 23m. "This was no real surprise, the bid premium has been evaporating all week" said one analyst.

Action quickly spread to Plessey whose shares spiralled upwards to close 15 higher at 243p on turnover of 9.8m after market speculation that an agreed bid of some 270p a share from French group Thomson CSF could be in the offing. Thomson was said to have been a crucial participant in any consortium put together by Metsun. "I wouldn't discount the possibility of a full bid from Thomson" said one senior trader in Plessey shares.

While not rejecting the idea of a Thomson offer for Plessey, analysts were again pointing out that any outright foreign bid for Plessey would attract plenty of political opposition.

Burmah in focus

Burmah easily outperformed the rest of the oil sector, with the shares ending the day 21 higher at 519p after turnover of more than 1m.

Kleinwort Benson (KB), the UK securities house, were keen supporters of the shares ahead of a "buy" recommendation issued by the KB oil team. KB is recommending the shares "on fundamentals". "They should be on a higher rating because the heavy investment programme will bring great benefits, especially in Castrol, the group's highly successful lubricants subsidiary".

There is also, according to some analysts the possibility of a full-scale bid emerging for Burmah. Suggestions that US group Pennzoil has run the slide-rule over the company have been circulating in London for some weeks.

The Kleinwort team also highlights the success of Burmah's investment in Premier Consolidated, the independent oil group, whose share price has moved sharply higher after the successful drilling operations off the coast of Thailand. Last week Burmah increased its holding in Premier from around 25 per cent to 29.9 per cent. Premier's shares edged up to 77p.

Few UK stocks command a market capitalisation greater than BAT Industries but there were suggestions yesterday that the group could still fall to a predator. Volume increased to 9.6m shares as the price rushed to a year's high of 494p, up 9½, responding to a combination of domestic and US buying.

Inevitably the name on most lips was that of cash-rich Hanson but traders regarded such a move as unlikely because of the competition element, both holding extensive tobacco interests. Nevertheless, the speculation refused to fade and BAT shares ended only marginally below the session's highest. Rothmans International, the only other quoted tobacco group, shot 12 higher to 447p.

In a strong internationals sector, Glaxo stood out strongly on renewed support from Japanese investors, closing with a gain of 29 at 1110p, several pence below the day's best. Consolidated Gold Fields, 39 higher at 1208p responded to confirmation from the boardroom that the Monopolies and Mergers Commission report will be completed on schedule on Monday.

The banks sector made strong early progress, in line with the market, but then ran into a flurry of selling pressure on stories of imminent widespread downgradings of profits forecasts ahead of the preliminary figures due next month.

Lloyds were badly hit and closed 6 off at 342p, after 357p, while Midland eased to 438p. TSB, in a new trading range said dealers, rose 2¼ to 115p.

The insurance market went from strength to strength. Lifes were highlighted by Prudential which touched 168p before closing a net 7 firmer at 166p on turnover of 6m. Abbey could only manage a minor gain of 3¼ at 304¼p on new business figures regarded as slightly disappointing by analysts.

Composites remained in the grip of the stock shortage in the sector with General Accident finally 16 higher at 914p and Commercial Union 7 to the good at 368p. Royals jumped 9 to 416p.

Another firm showing by oil prices helped the oil sector make further progress.

The two classes of BP stock rose further with the old up 7 at 266p and the new 5 harder at 162½p on turnover of 12m and 11m respectively. Shell edged up 4 more to 358p.

Ultramar were among the best performers in the sector, racing up to 307p prior to closing a net 7 firmer at 302p after turnover of 7m; hints in the market at mid-session were that Sir Ron Brierley had sold his stake to a possible predator, with America's Atlantic Richfield and a group of three companies, including the French Banque Paribas, mentioned as possible buyers of the near 14 per cent holding.

Cable & Wireless rose 7 to 392p but there was a feeling in the market that the group had perhaps "missed the boat" regarding cellular telephones- "they had the chance to take on Racal before the Vodafone sell-off but they pulled out and sold their stake" said one dealer.

Software group Logica jumped 8 more to 390p, still stimulated by talk that a bid for the company could be on the way from either Cap Gemini Sogetti of France or Italy's Olivetti.

Rank Organisation came under closer scrutiny ahead of the preliminary results, scheduled for next Wednesday, and the shares rose 16 to 765p. Securities house Kitcat and Aitken expects profits to be around £257m against £208m last year, and the group to make an encouraging statement about the current year's outlook. It also believes that market caution over Rank Xerox is misplaced and forecasts double-digit growth for the division this year, helped by the introduction of the 50 Series copiers. The rating of Rank Organisation is "very undemanding," say the Kitcat team.

In a separate review of the engineering sector, Mr Howard Wheeldon of the same organisation recommends investors to buy Hawker Siddeley, up 9 at a new 13-month peak of 578p. Elsewhere, VSEL Consortium pleased with interim profits which, although lower because of a three-month strike, were above analysts' estimates. The shares, recently buoyed by bid speculation, improved 4 to 447p.

Stores once again lagged behind the wider market as the speculative froth in Ward White failed to set the rest of the sector alight. Dealers reported that the early morning story was of a Boots bid for Ward White, but when that failed to take a hold the name of Woolworth as a possible predator appeared.

However, the real reason for the sharp rise in Ward White, said marketmakers, was a badly handled order - split between 3 houses - executed late on Wednesday which caught marketmakers short of stock.

One analyst said that of the two Woolworth was the more obvious fit with Ward White, but he still felt both stories were distinctly "spivvy". Ward White climbed to 243p before easing back to close at 240p, a gain of 15 on the day, while Boots ended a touch easier at 235½p and Woolworth fell 8 to 257p. Woolworth were not helped by talk of overcapacity in the diy market and an imminent price war.

The highly geared agency sector, which has a tendency to outperform when the dollar strengthens and the wider UK equity market shows confidence, moved up. Saatchi & Saatchi rose 6½ to 362½p.

Bass climbed to 885p in busy early trading on talk that a bid was imminent from either Hanson or a US brewing group, possibly Anheuser-Busch. However, as the steam ran out of the speculative buying the shares dropped back sharply to close at 873p, a net gain of just 3 on the day. As one dealer said: "Who is possibly going to bid for a UK brewer before knowing the result of the MMC inquiry into the tied-house system?" The MMC report is due to be published some time in February.

Trusthouse Forte was the feature among Hotels after reporting annual profits up 29 per cent to £232m.

News of last year's record orders pushed British Aerospace 7 higher to 482p. Bowater advanced 13 to 438p.

There were plenty of features in leisures. Boosey and Hawkes leapt 35 more to 320p. Stanley Leisure added 3 at 273p after the preliminary results which showed profits up from £1.63m to £2.42m.

A Nomura Securities buy recommendation helped Lucas Industries rise 6 to 569p.

Hammerson swam spectacularly against the tide of the wider market as dealers gave a collective thumbs down to the prospects of Dutch predator Rodamco succeeding with its bid for the UK property group. An announcement from Rodamco is due by 8.00am this morning, and the consensus in the market yesterday was that the Dutch group will be unable to put together an offer attractive enough to persuade Standard Life - which owns 28.8 per cent of Hammerson - to sell its stake.

However, for the second successive day a spanner was thrown into the works by US investment house Goldman Sachs, which revealed that it had increased its stake in Hammerson to 1.5 per cent - a move which left other marketmakers scratching their heads, and one describing it as "both perverse and suspicious." If anything, said an analyst, the Goldman revelation prevented Hammerson from falling further. At the close Hammerson ordinary and "A" shares were well off the day's lows at 929p (down 24) and 863p (down 25) respectively.

Activity in traded options ran to a level of 90,488 contracts, a figure exceeded only in the immediate days following the October 1987 crash. Turnover in the FTSE-100 index set an all-time record of 22,808 contracts, made up of 9,846 calls and 12,962 puts, as the index itself soared above 1,900.

The record turnover for all contracts was set at some 120,000 immediately after the Crash, as a run for cover developed into opening of put positions. The settlement of all deals is likely to push index dealings on the day above 25,000contracts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 26

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	671	468	+2	Grand Met.	3,800	468	+3	P & O	2,800	509	+9	[illegible]	3,100	260	+2
Boots	8,800	235½	-½	GUS A	394	996	+13	Pilkington	3,900	229	+2	Tate & Lyle	519	882	
British Airways	5,300	174	+2	GEC	2,100	395	+6	Plessey	9,300	243	+15	Tesco	5,300	147½	+1½
Brit. Aerospace	2,900	482	+7	GKN	2,200	320	+6	Polly Peck	939	294	+4	Thorn EMI	1,800	678	+12
Brit & Comm.	5,300	228	+3	Guinness	2,300	353		Prudential	6,400	166	+7	Trafalgar House	1,700	313	-3
British Gas	11,800	164½	+2	Hammerson 'A'	1,700	863	-25	Racal	17,000	322½	+19½	Trusthouse Forte	13,750	263½	-1½
British Land	152	343	-1	Hanson	25,000	162	+3½	Rank Org.	977	765	+16	Ultramar	7,000	305	+9
BP	11,750	265	+6	Harrisons & Cros.	636	666	+6	RMC	401	535	+3	Unilever	1,900	497	+4
British Steel	49,644	66½	+½	Hawker Siddeley	856	578	+9	RTZ	1,400	393	+4	United Biscuits	1,300	304	-3
British Telecom	8,800	271	-2	Hillsdown Hldgs	5,200	257½	+2	Reckitt & Colman	730	963	+15	Utd. Newspapers	358	381	
Burmah Oil	1,240	519	+21	ICI	1,800	200	+4	Redland	951	499	+2	Wellcome	1,100	456	+7
Burton	3,500	286		Inv. Chem	2,100	1072	+3	Reed International	2,100	399	+12	Whitbread 'A'	3,200	316	-1
Cable & Wireless	3,700	392	+7	Inchcape	1,000	228	+4	Reuters 'B'	2,900	579	+11	Williams Hldgs.	2,900	243	+3½
Cadbury Schweppes	2,785	353	+7	Jaguar	1,000	283	+2	RTZ	2,800	475	+3	Wimpey	3,800	308½	+4½
Coats Viyella	3,400	155	+4½	Ladbroke	5,400	461	-1	Rolls Royce	2,400	145	-1	Woolworth Hldgs.	3,200	257	-8

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (138).

BRITISH FUNDS (1) Treas. 3pc 1988, AMERICANS (5) California Engy., Chrysler, Hasbro Inc., RJR Nabisco, Texaco, CANADIANS (1) Seagram, BANKS (3) Bank Scot. 9¼pc Irred Pf., Rothschild (J.), Anglo Leasing, BREWERS (2) Greene King, Highland Dists., BUILDINGS (3) Bett Bros., CRH, Eve Grp., CHEMICALS (3) Rechem Envntl. Servs., Rentokil, Schering, STORES (3) Limited Inc., Lloyds Chemists, Do. 7.5pc Cnv. Pf., ELECTRICALS (8) Denmans Elect. Life Sciences Intl., Plessey, Renishaw, Sanderson Elec., ENGINEERING (3) FOODS (3) Bassett Foods, Nurdin P'k., Tate & Lyle 7.25pc Cv. Pf., INDUSTRIALS (18) AAF Invs. 7½pc, Armour Tst., Boot (Henry), Darby, Elders DG., Ensham, JBA Intl., Jardine Hldgs., Jardine Strategic, Macfarlane, Marling Ind., Nu-Swift, Polymark, Reuters "B", Sanders & Sidney, Securicor "A", Security Services, Stormgard, Swire Pac. "A", INSURANCE (2) Asters Intl. Grp., Trade Indemnity, LEISURE (4) Boosey & Hawkes, Hanimex, Miss World, Ulster TV., MOTORS (1) Gen. Motors, NEWSPAPERS (3) Black (A. & C.), Blenheim Exhibits, Intl. Thomson, PAPERS (2) Saatchi 6¾pc Pf. 2003, U.K. Paper, PROPERTY (2) Erostin, Frogmore Est., SHIPPING (3) C.S.L. Containers, Sea Containers, Tiphook, TRUSTS (45) OILS (3) NZ Oil & Gas, Norsk Hydro, Woodside, OVERSEAS TRADERS (1) REA Hldgs., PLANTATIONS (1) Anglo-East, MINES (5) ACM Gold, Southern Pacific, RTZ, Do. 9½pc Ln. '95-2000, Young Grp., THIRD MARKET (1) Assoc. Farmers.

NEW LOWS (13).

BUILDINGS (1) Epwin Grp., CHEMICALS (1) Cambridge Isotope Labs., STORES (3) Panfida Grp., Summer Intl., FOODS (1) Everest Foods, INDUSTRIALS (1) Nevill (J.), LEISURE (1) Greenwich Comm., TRUSTS (1) GPG, MINES (3) Durban Deep, Vlakfontein, Enterprise Gold, THIRD MARKET (1) Stais Hldgs.

APPOINTMENTS

Close race for the top at BP

BRITISH PETROLEUM announced yesterday that Mr Robert Horton is to be promoted to be a second deputy chairman and Mr David Simon is to be given extended responsibilities as chairman of BP Oil, the marketing and refining operation, *writes Max Wilkinson, Resources Editor.*

The appointments confirm widespread speculation that the two, who are both managing directors and both aged 50, are still running a close race to succeed Sir Peter Walter as chairman, when he steps down.

Mr Horton returned last year from running BP America to take up a number of strategic responsibilities in London. Mr Simon has been the managing director in charge of finance, a responsibility which he retains in the re-shuffle.

The moves result from the impending retirement of Sir Peter Cazalet, the present deputy chairman, on May 19 and the departure of Mr Robert Malpas, also a managing director, on July 31. He is leaving to become chairman of PowerGen, one of the two generating companies to be split off from the Central Electricity Generating Board when it is privatised.

The vacancy among the managing directors will be filled by Mr Hugh Norton, chief executive of BP exploration. Mr John Browne, aged 40, and widely considered the brightest of BP's rising stars, is recalled from a short stint as vice president of BP America to become chief executive of BP Exploration. Few doubt that his next promotion will be to board level and he is widely tipped as a future chairman.

Mr Rodney Chase, chief executive of BP Finance under Mr Simon, takes over from Mr Browne in the US and is replaced by Mr Steven Percy.

Mr Basil Butler, the present chairman of BP Exploration moves sideways to take over Mr Malpas's responsibilities for research, engineering and ventures.

When Sir Peter Cazalet retires it would be open to the company to appoint Mr Simon a joint deputy chairman with Mr Horton. But if so Mr Horton would have a little seniority in the job.

The speculation within the company is that Mr Horton will eventually succeed to the chairmanship, but with Mr Simon emerging in a powerful chief executive role. However, Sir Peter Walters has given no indication that he is thinking of retiring soon.

Managing director of Sun Life

SUN LIFE ASSURANCE SOCIETY has appointed Mr John Reeve (*above*) as managing director on the retirement of Mr Richard Zamboni on March 31. Mr Reeve joined Sun Life as deputy managing director last March from Mercantile House Holdings, where he was finance director.

■ Mr Alexander T.T. Rottenburg has been appointed a director of UNION DISCOUNT COMPANY.

■ Mr R.C. Hampel, an executive director of ICI, has been appointed a non-executive director of BRITISH AEROSPACE.

■ Mr Peter Mills, managing director, has been appointed chairman and chief executive of KINSON. Mr Roger Harrison, a director of LWT and Capital Radio, and Mr Christopher M. Meech, a director of Barons Group, have been appointed non-executive directors.

■ Dr David Hall has joined the MCKECHNIE GROUP as managing director of the extruded products division of McKechnie Metals. He was general manager, British Steel Corporation, Stockbridge.

■ THE ASSOCIATION OF BRITISH CONSORTIUM BANKS has elected Mr Peter J.W. Taplin, chief executive, UBAF Bank, as chairman.

■ Mr Michael Barker, head of banking division, Mr Jon Brown, treasurer, and Mr David Stiff, head of administration division, have been appointed assistant general managers of RABOBANK NEDERLAND, London branch.

■ Mr Arthur C. Little has become chairman of HAMMOND & CHAMPNESS following the retirement of Mr Richard N.D. Langdon.

■ Mr J.M. Gordon has been appointed chairman of the committee of the LLOYD'S UNDERWRITING AGENTS' ASSOCIATION.

FT UNIT TRUST INFORMATION SERVICE

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H

Bryecourt Unit Tst Mgmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

Elcon Ltd (1600)F

Equitable Units Admin Ltd (1600)F

Govett (John) Unit Mngmt Ltd (1000)F

Lloyds Bk Unit Tst Mngrs Ltd (1000)F

Midland Unit Trusts Ltd—Contd.

Provident Mutual Unit Tst Mngrs Ltd (0905)H

Prudential Holborn Unit Tsts Ltd (1445)H

Scottish Provident Inv Mgt Ltd (1000)F

Scottish Widows' Fund Mngmt (0630)H

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by one purchaser. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set, unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Wardley Unit Tst Mngrs Ltd (0900)H						
99, Bishopsgate, London, EC2P 2LA. 01-374 0861						
American ♦	5¼	[illegible]	[illegible]	42.08	+1.38	1.8
Intl Growth	5¼	[illegible]	[illegible]	74.40	+0.27	0.4
Income ♦	5¼	117.8	119.8	128.2	+2.10	5.5
Japan Growth	5¼	201.0	204.1	218.3	[illegible]	0.1
Pacific Perf	5¼	[illegible]	[illegible]	[illegible]	[illegible]	0.5
Small Co's ♦	5¼	139.4	139.4	149.0	+1.30	1.6
Technology	5¼	[illegible]	[illegible]	32.01	+0.21	0.1
Australia	5¼	61.23	61.23	65.48	[illegible]	1.7
UK Trust ♦	5¼	165.8	165.8	177.3	[illegible]	2.8
European Growth ♦	5¼	52.66	52.16	[illegible]	[illegible]	0.1
Hong Kong C	5¼	[illegible]	[illegible]	[illegible]	[illegible]	1.6
Intl Income	5¼	19.70	19.70	21.06	[illegible]	8.0
S'pore & Mlysn Gth	5¼	23.77	[illegible]	25.80	+0.73	0.5
British Wharves ♦	5¼	25.63	25.63	27.41	[illegible]	2.5
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	16.78	16.78	17.85	+0.11	0.00
Pacific Basin	5	24.82	24.82	26.40	+0.11	0.60
Can Balncd Gwth ♦	5	45.11	45.11	47.98	[illegible]	0.10
Ginnie Mae ♦	4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Penny Share	5¼	[illegible]	[illegible]	28.39	[illegible]	[illegible]
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1. 01-407 4404						
Wellington Income	5¼	113.4	114.7	122.1	+1.2	[illegible]
Wellington Growth	5¼	177.2	179.0	190.4	+1.7	1.31
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299432						
Wessex UK Gwth	4½	97.86	101.52	105.30	[illegible]	
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger ♦ F	1¼	55.72	55.72	56.42		8.00
Short Dtd Gilt ♦ F	1¼	80.45	80.45	81.46	[illegible]	5.50
U.S. Govt Bond ♦ F		[illegible]	[illegible]	[illegible]	[illegible]	0.00
Wilbra Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	155.5	156.7	166.7		3.17
Windsor Trust Mngrs Ltd (1000)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Growth & Equity	5	59.66	62.11	[illegible]	[illegible]	[illegible]
European	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Far Eastern	5	54.28	54.28	57.93	+0.21	0.30

Albany Life Assurance Co Ltd

3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

Cannon Assurance Ltd

1 Olympic Way, Wembley HA9 0NB

City of Edinburgh Life Assurance

46 Charlotte Sq, Edinburgh

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Pensions				
With Profits Fd	110.58	116.40	+0.04	−
Managed Fd	121.73	128.14	+0.71	−
UK Equity Fd	123.55	130.05	+0.97	−
International Fd	127.61	134.32	+0.69	−
European Fd	116.53	122.66	−1.12	−
North American Fd	117.50	123.69	+0.19	−
Pacific Fd	125.60	132.21	+0.06	−
Property Fd	125.85	132.48	+0.02	−
Fixed Int Fd	102.41	107.80	+0.23	−
Intl Bond Fd	106.14	111.73	+0.80	−
Bldg Soc Dep Fd	105.16	110.69	+0.04	−
Pensionmaster* & Unit-Linked Plan				
Fixed Interest Fund	287.9	303.1	+1.6	−
Index-Linked Sec Fund	155.4	163.5	+0.2	−
Ordinary Share Fund	479.9	505.1	+10.6	−
International Fund	136.1	143.3	−0.2	−
Property Fund	213.6	224.8	+0.2	−
Deposit Fund	188.4	198.3	+0.4	−
Mixed Fund	331.8	349.3	+3.6	−
Norwich Units January 15		920.6	—	−

*Prices as at January 17

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Dist. (Gross)	179.6	189.1	−	−
Prop Acc. (Gross)	302.5	318.5	−	−
Equity (Gross)	675.2	710.7	+2.8	−
Managed (Gross)	493.4	519.4	+5.6	−
Prop Acc. (Net)	139.9	147.3	−	−
Equity (Net)	158.7	167.0	+1.6	−
Managed (Net)	151.4	159.4	+1.4	−
Internat'nal (Net)	136.1	143.3	+1.4	−
Gilt & Fxd Interest	102.6	108.1	+0.3	−
Money Fund	103.3	108.7	−	−
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	472.9	497.0	+6.0	−
Ret Man (Series 2)	160.3	168.8	+1.6	−
Ret Man (Series 3)	105.8	105.8	+1.1	−
Ret Cash	127.5	134.3	+0.1	−
Ret Cash (Series 3)	106.3	106.3	−	−

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or −	Yield Gross
Unit Fund	928.3	974.7	+5.9	−
Equity Fund	206.8	217.1	+2.4	−
International Fd	140.1	147.1	−0.1	−
Fixed Interest Fd	152.8	160.4	+0.1	−
Property Fund	209.6	220.1	—	−
Index-Linked Fund	132.3	138.9	−0.4	−
Deposit Fund	132.7	139.3	—	−
Pens. Mixed (Grd) Fd	216.1	226.9	+1.4	−
Gold Pensions				
Discretionary Fund		104.9	+0.7	−
Equity Fund		102.4	+1.1	−
Fixed Interest Fund		105.6	+0.1	−
International Fund		105.0	—	−
Property Fund		126.8	—	−
Index-Linked Fund		108.3	−0.3	−
Deposit Fund		105.3	+0.1	−
S & F Consolidation		103.5	—	−
S & F Balanced		105.8	+1.1	−
S & F Maximum Growth		95.4	+0.8	−

Provident Mutual Life Assc. Assn.
Walsworth Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Ord	301.2	317.1	+1.9	−
Managed Init	245.5	258.4	+1.6	−
Equity Ord	416.4	438.3	+4.4	−
Equity Init	339.4	357.3	+3.6	−
Index Linked Gilt Ord	131.3	138.2	+0.1	−
Index Linked Gilt Init	111.7	117.6	−	−
Overseas Equity Ord	273.0	287.4	−0.2	−
Overseas Equity Init	222.5	234.2	−0.2	−
Property Ord	180.8	190.3	−	−
Property Init	154.7	162.8	−	−
Fixed Interest Ord	176.0	185.3	+1.8	−
Fixed Interest Init	143.4	150.9	+1.5	−
Deposit Ord	139.3	146.6	−	−
Deposit Init	113.6	119.6	−	−
Pension Funds				
Managed Ord	366.2	385.5	+2.7	−
Managed Init	298.4	314.1	+2.1	−
Equity Ord	524.7	552.3	+1.5	−
Equity Init	427.7	450.2	+5.4	−

BERMUDA AUTHORISED

OFFSHORE INSURANCES

JERSEY AUTHORISED

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

MANAGEMENT SERVICES

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FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	[illegible]	12.68
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.57	12.19
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	[illegible]	9.53
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	[illegible]	12.39
102	[illegible]	Exch. 10pc 1989	[illegible]	[illegible]	10.11	12.39
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	[illegible]	12.11
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	[illegible]	10.47
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	[illegible]	11.03
107½	101¼	Treas 13pc 1990‡‡	[illegible]	[illegible]	[illegible]	11.34
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	[illegible]	11.34
[illegible]	100¼	Exch. 12¼pc 1990	[illegible]	[illegible]	[illegible]	11.34
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	[illegible]	10.00
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	[illegible]	11.26
[illegible]	[illegible]	Treas. 8pc Cv 1990‡‡	[illegible]	[illegible]	8.21	9.87
[illegible]	[illegible]	Treas. 10pcCv 1990	[illegible]	[illegible]	10.17	13.02
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.82	9.45
[illegible]	[illegible]	Treas 11½pc 1991	[illegible]	[illegible]	11.62	11.08
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.34	10.62
[illegible]	86	Treas. 3pc 1991	87	[illegible]	3.45	9.45
[illegible]	[illegible]	Treas 10pc Cv '91‡‡	[illegible]	[illegible]	10.11	10.53
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.95	10.81
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.55	10.64
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.07	10.52
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.14	10.56
[illegible]	[illegible]	Treas. 8pc 1992‡‡	[illegible]	[illegible]	8.57	10.44
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.50	10.50
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	[illegible]	8.87
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	[illegible]	10.57
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	[illegible]	10.52

BRITISH FUNDS—Contd

FOREIGN BONDS & RAILS

AMERICANS

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Money Market Trust Funds

Money Market Bank Accounts

Continued on next page

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AMERICANS – Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♦Unilab	138p	.....	—	—	—
24¾	17⅝	Utd. Technologies	23¾	+¼	$1.60	—	3.7
163p	27p	♦Utilitech Inc.	145p	.....	—	—	—
34⅝	26¼	US West	33	+⅝	$3.52	—	5.9
24⅞	16⅞	Waste Management $1	24	+½	48c	—	1.1
16⅝	12⅞	Whirlpool $1	14⅞	–⅛	$1.10	—	4.1
20⅝	15¾	Whitman Corp	19¾	.....	96c	—	2.8
33⅛	18¼	♦Woolworth $3½	30½	+½	$1.64	—	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

68	Seacon Hldgs	101	.....	21.0	1.3	–
7	Sonic Tape 2½p	7½	.....	–	–	9.9
15	Stats Hldgs 5p	15	–1	–	–	17.8
2½	Swanyard Studios 1p	2½	.....	–	–	♦
200	Takare	313	.....	b1.0	8.1	0.4 / 32.1
26	Tomorrows Leisure 20p	28	.....	–	–	15.9
13½	Tullow Oil 10p	18	.....	–	–	–
105	UPL Group 10p	185	.....	L2.41	4.3	3.1 / 14.3
120	Unit Group	145	.....	F7.5	2.9	6.9 / 8.2
12½	Whitegate Leisure 20p	14½	.....	–	–	–
6	Do. Wrrnts	10½	.....	–	–	–
2	Wilton Group 1p	5	.....	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	69	.....	
Craig & Rose £1 γ	710	.....	
Finlay Pkg. 5p γ	86	+1	
Holt (Jos) 25p γ	1215	–2	

IRISH

Cap. 8½% Ln. 1991	£99½	.....
9pc Cap Ln. 1996	£100¼	.....
Fin. 13% 97/02	£122¼	.....
Arnotts	305	.....
Carrol (P.J.) γ	148xd	.....

For Grafton Group see Industrials (Misc)

Hall (R. & H.)	158	–2
Helton Hldgs γ	65	+1
Irish Ropes	145	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	15
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd.	40
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	20
MEI	12
Nat West Bk.	45
P & O Dfd.	40
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	36
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	49

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks fight dollar rise

THE DOLLAR yesterday pushed aside news of a rise in West German interest rates and resumed its firmer trend in morning trading. Renewed intervention by the Group of Seven central banks and others then pushed the dollar weaker, but further demand drove the US unit to its best level of the day, and up in places from Wednesday's closing level.

The dollar's recent strength continues to defy logic, according to most market analysts. A wider trade gap in November and a smaller than expected 0.3 p.c. rise in US consumer prices in December have failed to deter further institutional investment in the US unit.

The continued rise has encouraged a greater degree of short covering which, in itself, has pushed the dollar firmer and prompted further covering of positions. Central bank intervention has recently received a very high profile, but with several central banks collectively selling relatively small dollar amounts, the intervention has not been regarded as decisive. However, intervention yesterday was seen as being much more aggressive, and it now remains to be seen whether the central banks can deflect the dollar's underlying bullish tone.

The dollar finished at DM1.8675 from DM1.8695 but rose against the yen to Y129.70 from Y128.45. It was also higher against the Swiss franc at SFr1.5900 from SFr1.5895 but slipped against the French franc to FFr6.3625 from FFr6.3725. On Bank of England figures, the dollar's exchange rate index rose to 67.5 from 67.2.

Sterling failed to hold on to recent gains against the D-Mark and lost ground against the dollar. UK economic data yesterday provided further support for the argument that base rates at 13 p.c. are possibly at their peak, and a narrowing of interest rate differentials after the rise in German rates prompted some investors to take profits.

UK average earnings in November rose by 8¾ p.c., against 9 p.c. in October while industrial production fell by 0.1 p.c. against expectations of a 0.3 p.c. rise. These were countered to some extent by a 66,100 fall in the number of unemployed, almost double the expected decline and a possible indication that the economy remains buoyant.

The pound fell to DM3.2700 from DM3.2800 and $1.7510 compared with $1.7550. It was firmer against a weak yen at Y227.00 from Y225.50 but slipped elsewhere to SFr2.7850 from SFr2.7900 and FFr11.1400 compared with FFr11.1825. On Bank of England figures, the pound's exchange rate index slipped to 98.0 from 98.2 at the opening and the close on Wednesday.

Elsewhere, the French franc managed to hold steady against the D-Mark, mainly because the Bank of France acted swiftly to increase its money market intervention rates after a rise in German rates. The D-Mark finished at FFr3.4070 from FFr3.4087.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6901	-2.81	-0.72	±1.5344
Danish Krone	7.85212	8.09379	-2.99	-0.90	±1.5404
German D-Mark	2.05853	2.08692	-1.36	-0.73	±1.0981
French Franc	6.90403	7.11436	-2.96	+0.87	±1.3674
Dutch Guilder	2.31943	2.35553	-1.53	-0.56	±1.5012
Irish Punt	0.768411	0.779846	-1.47	-0.62	±1.6684
Italian Lira	1483.58	1528.22	-2.92	-1.61	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.19	Latest	Previous Close
£ Spot	1.7520-1.7530	1.7520-1.7530
1 month	0.60-0.58pm	0.59-0.57pm
3 months	1.68-1.64pm	1.55-1.52pm
12 months	5.25-5.15pm	4.45-4.35pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Jan.19	Previous
8.30	am	98.2	98.3
9.00	am	98.2	98.3
10.00	am	98.2	98.3
11.00	am	98.2	98.1
Noon		98.2	98.2
1.00	pm	98.1	98.2
2.00	pm	98.0	98.2
3.00	pm	98.0	98.3
4.00	pm	98.0	98.2

CURRENCY RATES

Jan.19	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.745835	0.635991
U.S Dollar	6.50	1.31528	1.11362
Canadian $	11.42	1.57005	1.32576
Austrian Sch.	4	17.1710	14.6608
Belgian Franc	7.75	51.2104	43.6901
Danish Krone	7½	9.48120	8.09379
Deutsche Mark	4	2.44576	2.08692
Neth. Guilder	5.00	2.76143	2.35553
French Franc	9½	8.34611	7.11436
Italian Lira	12½	1793.06	1528.22
Japanese Yen	2½	168.224	144.325
Norway Krone	8	8.86236	7.54645
Spanish Peseta	-	152.989	130.572
Swedish Krona	8½	8.31388	7.07483
Swiss Franc	4	2.07814	1.77533
Greek Drach.	20½	N/A	172.945
Irish Punt	-	N/A	0.779846

*All SDR rates are for Jan.18

CURRENCY MOVEMENTS

Jan.19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	98.0	-13.8
U.S Dollar	67.5	-11.0
Canadian Dollar	102.2	-1.8
Austrian Schilling	106.5	+9.5
Belgian Franc	105.6	-6.4
Danish Krone	103.0	-2.0
Deutsche Mark	112.2	+19.9
Swiss Franc	108.0	+17.4
Guilder	109.7	+12.4
French Franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.18

OTHER CURRENCIES

[illegible]

Correction for Jan 18 Mexico $ rate 2285.00-2290.00 *Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Jan.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7465-1.7625	1.7505-1.7515	0.57-0.54cpm	3.80	1.54-1.49pm	3.46
Canada	2.0815-2.0956	2.0840-2.0850	0.39-0.27cpm	1.90	0.90-0.76pm	1.99
Netherlands	3.68¾-3.70½	3.68¾-3.69½	2¼-2cpm	6.91	6¼-5⅞pm	6.50
Belgium	68.15-68.80	68.35-68.45	34-29cpm	5.53	92-83pm	5.12
Denmark	12.66¼-12.75½	12.66¼-12.67¼	5⅞-5¼orepm	5.03	15¾-14⅝pm	4.74
Ireland	1.2215-1.2285	1.2215-1.2225	0.57-0.52ppm	5.35	1.47-1.37pm	4.65
W. Germany	3.26¾-3.28	3.26¾-3.27¾	2⅛-2pfpm	7.57	5⅞-5½pm	6.80
Portugal	266.50-269.45	266.50-267.50	53-15cpm	1.53	153-43pm	1.47
Spain	204.15-207.25	204.15-204.45	19-8cpm	0.79	30-13pm	0.42
Italy	2389¾-2405¼	2394½-2395½	4-2lirepm	1.50	7-5pm	1.00
Norway	11.82¾-11.90¼	11.82¾-11.83¾	2-1¼orepm	1.77	5-4¾pm	1.58
France	11.12½-11.19¼	11.13½-11.14½	4¼-4¼cpm	4.51	11⅝-11¼pm	4.11
Sweden	11.09¾-11.14½	11.09¾-11.10¾	2¼-2¼orepm	2.36	6⅞-6¼pm	2.39
Japan	226-227½	226½-227½	1⅞-1⅝ypm	8.92	4¾-4⅝pm	8.15
Austria	22.91-23.09	22.91-22.94	12-10½gropm	5.89	38¼-33pm	6.23
Switzerland	2.77¾-2.79	2.78-2.79	1¾-1⅝cpm	7.27	4¾-4¼pm	6.91

Belgian rate is convertible francs. Financial franc 68.70-68.80. Six-month forward dollar 2.59-2.54cpm 12 months 4.25-4.15cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7465-1.7625	1.7505-1.7515	0.57-0.54cpm	3.80	1.54-1.49pm	3.46
Ireland†	1.4255-1.4385	1.4340-1.4350	0.22-0.27cdis	-2.05	0.55-0.66dis	-1.68
Canada	1.1880-1.1925	1.1890-1.1900	0.16-0.19cdis	-1.76	0.53-0.57dis	-1.85
Netherlands	2.0950-2.1175	2.1070-2.1080	0.57-0.54cpm	3.16	1.58-1.55pm	2.97
Belgium	38.85-39.30	39.00-39.10	6.50-4.50cpm	1.69	16.50-13.00pm	1.51
Denmark	7.21-7.27¾	7.23¼-7.23¾	0.80-0.55oredis	-1.12	2.20-1.80pm	-1.10
W. Germany	1.8555-1.8770	1.8670-1.8680	0.57-0.55pfpm	3.59	1.58-1.55pm	3.35
Portugal	152-153¼	153-153¼	23-43cdis	-2.58	65-115dis	-2.34
Spain	116.15-117.30	116.75-116.85	27-32cdis	-3.03	85-92dis	-3.03
Italy	1360-1374¼	1367¾-1368¾	2.80-3.50liredis	-2.76	8.30-9.30dis	-2.57
Norway	6.74¾-6.78½	6.75½-6.76	1.05-1.30oredis	-2.08	3.10-3.50dis	-1.95
France	6.32¾-6.39½	6.36-6.36½	0.30-0.25cpm	0.80	0.90-0.75pm	0.52
Sweden	6.31¼-6.36	6.33½-6.34	0.75-0.95oredis	-1.61	1.80-2.10dis	-1.23
Japan	128.55-129.75	129.65-129.75	0.54-0.51ypm	4.87	1.52-1.49pm	4.65
Austria	13.09¾-13.17½	13.14-13.14½	2.80-2.10gropm	2.24	10.30-8.30pm	2.83
Switzerland	1.5790-1.5995	1.5895-1.5905	0.49-0.46cpm	3.58	1.40-1.35pm	3.46

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.20-39.30.

EURO-CURRENCY INTEREST RATES

Jan.19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13⅛-12⅞	13⅛-12⅞	13⅛-13⅛	13⅛-12⅞	12¾-12⅝	12⅞-12⅝
US Dollar	9⅛-8⅞	9⅛-9	9⅜-9¼	9⅜-9¼	9½-9⅜	9⅞-9¾
Can. Dollar	10⅞-10⅝	10⅝-10⅜	10⅝-10⅜	11⅛-10⅞	11⅛-11⅛	11⅜-11⅛
D. Guilder	5⅞-5⅝	5⅞-5⅝	6-5⅞	6⅛-6	6¼-6⅛	6⅜-6¼
Sw. Franc	5⅛-5½	5⅛-5½	5⅞-5⅝	5⅞-5¾	5⅞-5¾	5⅞-5¾
Deutschmark	5⅞-5⅝	5⅞-5⅝	5⅞-5⅝	6-5⅞	6⅛-6	6⅜-6¼
Fr. Franc	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝	8⅞-8¾	8⅞-8¾	8⅞-8⅞
Italian Lire	11-9	12⅛-11⅞	12⅛-11⅞	12⅛-11⅞	12⅛-12	12⅛-12
B. Fr. (Fin)	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	7⅞-7¼	7⅞-7⅞	8-7⅞
B. Fr. (Con)	7⅛-7	7⅞-7⅛	7⅞-7⅞	8-7⅞	8⅛-7⅞	8⅛-7⅞
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅝-9½ per cent; three years 9⅝-9½ per cent; four years 9⅝-9½ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short pound active and firm

TRADING WAS brisk in short sterling futures on the Liffe market yesterday. Total volume was over 27,000 contracts, as the market began to think in terms of lower UK interest rates, after some encouraging economic news.

The market became enthusiastic on news of a lower than expected figure for UK average earnings in the year to November. A fall of 0.1 p.c. in industrial output for the same month also pointed to a slow down in economic activity and, accordingly, less chance of higher interest rates.

March short sterling opened weaker at 87.23 and touched 87.20, before rising sharply through a technical resistance point of 87.28, to close at the next resistance point of 87.41, compared with 87.25 on Wednesday.

Long gilt futures also showed strong gains in active trading, with March delivery rising to 97-05 from 96-02.

Traders said sentiment in sterling instruments was good, but the market is in danger of moving ahead of events. It will take a cut of ½ point in bank base rates to justify a break through 87.41 in short sterling, but lower base rates are only likely after there is clear evidence of an easing of inflationary pressures.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
92	510	615	0	5
94	314	427	4	17
96	129	248	19	38
98	26	133	116	123
100	7	49	261	239
102	2	20	456	410
104	0	7	654	561

Estimated volume total, Calls 9368 Puts 2159
Previous day's open int. Calls 21526 Puts 15751

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
84	457	701	5	27
86	459	522	5	48
88	306	358	16	115
90	136	238	46	200
92	37	135	147	261
94	11	59	321	421
96	3	36	515	561

Estimated volume total, Calls 300 Puts 182
Previous day's open int. Calls 3056 Puts 3911

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
18000	1495	60
18500	1081	151
19000	730	300
19500	457	527
20000	264	834
20500	139	1209
21000	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
160	—	1540	—	7
165	1040	1040	5	35
170	548	583	47	133
175	211	288	210	338
180	51	114	550	664
185	7	36	1006	1086
190	1	9	1500	1559

Estimated volume total, Calls 40 Puts 0
Previous day's open int. Calls 132 Puts 3750

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8975	84	91	2	15
9000	61	72	4	21
9025	40	55	8	29
9050	23	40	16	39
9075	12	28	30	52
9100	5	19	48	68
9125	2	13	70	87

Estimated volume total, Calls 100 Puts 100
Previous day's open int. Calls 5825 Puts 6938

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8700	55	127	14	16
8725	39	108	23	22
8750	26	90	35	29
8775	16	73	50	37
8800	10	58	69	47
8825	5	45	89	59
8850	2	34	111	73

Estimated volume total, Calls 1160 Puts 560
Previous day's open int. Calls 20225 Puts 19044

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 101,475
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

German rates up

THE SWISS National Bank provided the first hint of the day that the West German Bundesbank was about to raise its discount and Lombard rates. In an early morning move, the authorities in Zurich announced a rise of ½ p.c. to 4 p.c. in the Swiss discount rate, and an increase of ½ p.c. to 6 p.c. in the Lombard rate.

Recent weakness of the D-Mark against the dollar had increased speculation of higher German rates and after the Swiss move, it came as no surprise when the Bundesbank council sanctioned ½ p.c. rises in official rates. The Bundesbank's discount rate has been raised to 4 p.c., and the Lombard rate to 6 p.c.

UK clearing bank base lending rate 13 per cent from November 25

The Bank of France moved quickly to defend the franc against the potential of a strengthening D-Mark. The French central bank increased its money market intervention rate by ¼ p.c. to 8¼ p.c., and the five to 10-day securities repurchase rate by a similar amount to 9 p.c.

Austria also followed the upward trend in European rates by raising its discount rate ½ p.c. to 4½ p.c., and its Lombard rate ½ p.c. to 6 p.c. In a similar move the Dutch Central Bank increased its discount rate by ½ p.c. to 5 p.c.

In London interest rates eased on favourable UK economic data. The most encouraging news was an underlying rise of 8.75 p.c. in December average earnings, against forecasts of 9.00 p.c. Three-month interbank eased to 13⅛-13 p.c. from 13¼-13 p.c., in spite of the upward trend in Continental rates.

The Bank of England initially forecast a money market shortage of £550m, but revised this to £750m at noon, and to £800m in the afternoon. Total help of £814m was provided.

Before lunch the authorities bought £238m bills, including £122m outright, by way of £27m bank bills in band 1 at 12⅞ p.c.; £42m bank bills in band 2 at 12{{ p.c.; and £53m bank bills in band 3 at 12{{ p.c. Another £116m bills were bought for resale to the market on January 25 at 12{{ p.c.

In the afternoon the Bank of England purchased £281m bills outright, through £48m Treasury bills in band 1 at 12⅞ p.c.; £218m bank bills in band 1 at 12⅞ p.c.; and £15m bank bills in band 2 at 12{{ p.c. Late assistance of around £295m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £306m, with Exchequer transactions absorbing £155m; a rise in the note circulation £35m; and bank balances below target £60m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.19) 3 months US dollars		6 months US Dollars	
bid 9⅛	offer 9¼	bid 9⅛	offer 9⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4pm) — Treasury Bills and Bonds

Prime rate	10½	One month	8.16
Broker loan rate	10¼-½	Two month	8.16
Fed.funds	9-9⅛	Three month	8.54
Fed.funds at intervention	-	Six month	8.77
		One year	8.95
		Two year	9.12

Jan.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.15-5.25	5.50-5.60	5.45-5.55	5.60-5.[illegible]	[illegible]	[illegible]
Paris	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8[illegible]	[illegible]	[illegible]
Zurich	4⅞-4⅞	5⅞-5⅞	-	5⅞-5[illegible]	[illegible]	[illegible]
Amsterdam	5.75-5.88	6.03-6.13	-	6.18-6.[illegible]	[illegible]	[illegible]
Tokyo	3¾-3⅞	4⅞-4⅞	-	4⅞-4[illegible]	[illegible]	[illegible]
Milan	11¾-12	11¾-12¼	-	11¾-1[illegible]	[illegible]	[illegible]
Brussels	2.35	7⅞-7⅞	-	7⅞-7[illegible]	[illegible]	[illegible]
Dublin	7½-7¾	7¾-8	8-8¼	8-8[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jan 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13	13⅛	13⅛	[illegible]	[illegible]	[illegible]
Interbank Bid	12	12⅞	13	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	13⅛	[illegible]	[illegible]	[illegible]
Local Authority Deps.	12⅞	12⅞	13	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	13½	12⅞	12¾	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	13⅛	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	13	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	12{{	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	12⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	13⅛	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	9.20-9.15	9.35-[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	-	-	7⅞	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	-	-	7⅞	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	-	-	8¼	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	-	-	8⅛	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 12{{ per cent; three months 12{{ per cent; Bank Bills (sell); one-month 12{{ per cent; three months 12{{ per cent; Treasury Bills: Average tender rate of discount 12.5093 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 30 1988. Agreed rates for period January 25, 1989 to February 25, 1989, Scheme II & III: 14.37 p.c. Reference rate for period December 1 to December 30, 1988, Scheme IV&V: 13.173 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from January 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

[illegible]

CROSSWORD

No.6,839 Set by DINMUTZ

ACROSS

1 Unconventional sort has joint with dessert (8)
4 Vision of the future for a potential client (6)
10 He may not mind "is stomach upset (9)
11 Language a US city can follow (5)
12 Brisk drive – second to the flag (4)
13 Steps over pieces of fencing? (5-5)
15 Even Ned leaves the uninformed (7)
16 Sailor's error serious? ..... (6)
18 ..... shanty unfinished for salt perhaps (6)
21 Criticised severely, having sounded trumpet loudly (7)
23 Aloofness of a number of soldiers? (10)
25 Siamese strange hat I put on (4)
27 Left Jason's ship in slow passage (5)
28 Ann got any change for the milk producer? (5-4)
29 This chief building has lawn – loth to alter it (4,4)
30 Offer from former nurse (6)

DOWN

1 Plain material woven upon mesh (8)
2 This could put an end to cricket (3)
3 Edge forward in church (4)
5 Comes back with voting figures (7)
6 Such personal sacrifice fills a need somehow (4-6)
7 Inwardly digested in school, would you say? (5)
8 Dinghy, for example, easily broken (6)
9 Home of the brave (5)
14 It can be used to back the favourite after the race (5-5)
17 Part of rump needed to repair "onerous? (5-4)
19 Allowed to go in, declared (8)
20 In theory, no talking-bird has Latin (7)
21 Sort of republic out of hand? (6)
22 Number of securities making rare fortune (3,3)
24 Cast finished, say the American (5)
26 Big cat in golf course reported (4)

Solution to Puzzle No.6,838

COMPANY NOTICES

PUBLIC NOTICE

The Monopolies and Mergers Commission is investigating the proposed acquisition by G.E.C. Siemens plc of the Plessey Company plc. Any information or views regarding the matter, particularly in relation to defence electronics and traffic control equipment should be sent, by 30th January 1989, to: The Reference Secretary (GEC Siemens/Plessey), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT

WORLD STOCK MARKETS

AUSTRIA — January 19 — Sch. — + or −
[illegible]

BELGIUM/LUXEMBOURG — January 19 — Frs. — + or −
[illegible]

DENMARK — January 19 — Kr. — + or −
[illegible]

FINLAND — January 19 — Mks. — + or −
[illegible]

FRANCE — January 19 — Frs. — + or −
[illegible]

GERMANY — January 19 — Dm. — + or −
[illegible]

ITALY — January 19 — Lire — + or −
[illegible]

NETHERLANDS — January 19 — Fls. — + or −
[illegible]

NORWAY — January 19 — Kroner — + or −
[illegible]

SPAIN — January 19 — Pts. % — + or −
[illegible]

SWEDEN — January 19 — Kronor — + or −
[illegible]

SWITZERLAND — January 19 — Frs. — + or −
[illegible]

SOUTH AFRICA — January 19 — Rand — + or −
[illegible]

JAPAN — January 19 — Yen — + or −
[illegible]

AUSTRALIA — January 19 — Aust.$ — + or −
[illegible]

HONG KONG — January 19 — H.K.$ — + or −
[illegible]

SINGAPORE — January 19 — S$ — + or −
[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. ... suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Closing prices January 18

Quotations in cents unless marked $.
[illegible]

MONTREAL
Closing prices January 18
[illegible]

Total Sales 6,225,644 shares.

INDICES

NEW YORK — DOW JONES

	Jan 18	Jan 17	Jan 16	Jan 13	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2238.75	2214.64	2224.64	2226.07	2238.75 (18/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.18	89.05	88.97	88.71	91.25 (3/3/88)	86.12 (4/1/88)	-	-
Transport	1021.89	1004.38	996.60	996.76	1021.89 (18/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	190.73	188.95	188.66	188.54	190.73 (18/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.58 (8/4/32)

♦Day's High 2247.32 (2227.50) Low 2202.50 (2283.75)

STANDARD AND POOR'S	Jan 18	Jan 17	Jan 16	Jan 13	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	286.53	283.55	284.14	283.87	286.53 (18/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	331.56	327.98	329.90	328.81	331.56 (18/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.57	25.45	25.50	25.41	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	161.01	159.48	159.78	159.58	159.78 (16/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	318.22	316.57	316.81	315.93	318.22 (18/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	388.88	386.05	387.36	387.09	394.77 (18/7/88)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan 13	Jan 6	Dec 30	year ago (approx.)
Dow Industrial Div. Yield	3.60	3.66	3.70	3.54
	Jan 11	Jan 5	Dec 28	year ago (approx.)
S & P Industrial div. yield	3.15	3.17	3.20	3.17
S & P Indl. P/E ratio	13.09	12.97	12.86	15.69

TRADING ACTIVITY † Volume

Millions	Jan 10	Jan 17	Jan 16
New York	186.397	144.985	117.380
Amex	9.933	8.820	8.381
OTC	140.520	137.760	105.115

NEW YORK	Jan 18	Jan 17	Jan 16
Issues Traded	1,960	1,941	1,939
Rises	1,038	615	698
Falls	463	807	673
Unchanged	459	519	568
New Highs	87	58	57
New Lows	9	12	7

CANADA

TORONTO	Jan 10	Jan 17	Jan 16	Jan 13	1988/89 High	1988/89 Low
Metals & Minerals	3493.5	3400.9	3413.9	3412.3	3493.5 (18/1/89)	2238.7 (8/2/88)
Composite	3532.2	3504.8	3504.6	3492.4	3532.2 (18/1/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1778.16	1759.54	1765.54	1758.59	1778.16 (18/1/89)	1305.06 (27/1/88)

	Jan. 19	Jan. 18	Jan. 17	Jan. 16	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1512.0	1502.4	1501.9	1512.0	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	686.8	679.1	681.6	685.1	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	226.90	224.48	223.80	223.60	226.90 (19/1/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5693.00	5681.40	5708.80	5720.60	5720.60(16/1/89)	3608.35(4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	289.22	288.67	285.95	282.03	289.22 (19/1/89)	100.68 (4/1/88)
FINLAND						
Unitas General (1975)	740.1	736.6	735.1	732.8	772.1 (8/8/88)	530.6(15/1/88)
FRANCE						
CAC General (31/12/82)	438.8	438.2	440.2	439.7	441.3(13/1/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	104.8	103.3	104.2	(u)	104.8(19/1/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	560.14	551.07	554.64	560.60	567.51(5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1678.1	1651.1	1662.3	1679.6	1705.6(5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1335.15	1323.60	1316.66	1344.11	1371.10(5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2909.66	2913.05	2896.65	2856.67	2913.05 (18/1/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	613.22	613.42	615.89	611.56	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	31311.40	31354.55	31227.52	(c)	31354.55(18/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2435.55	2451.90	2448.93	(c)	2457.58(13/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	300.9	297.9	298.0	300.2	300.9 (19/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	263.7	261.4	262.4	264.3	264.3 (16/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	534.46	516.31	514.18	507.24	534.46 (19/1/89)	327.70 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1099.24	1094.41	1104.82	1107.91	1177.87 (8/8/88)	833.60(4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1306.0	1308.0	1311.0	1310.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2074.0	2067.0	2066.0	2070.0	2079.0 (12/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	283.73	283.57	283.93	283.27	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3514.7	3479.4	3482.6	3494.3	3514.7 (19/1/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	625.4	626.1	625.7	634.2	634.2 (16/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	505.1	502.3	503.0	506.6 (16/1/89)	401.0 (21/1/88)

**Saturday Jan. 14: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of all Indices are 100 except Brussels SE and DAX — 1,000 JSE Gold — 255.7 JSE Industrials — 264.3 and Australia, All Ordinary and Mining — 500; (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Eastern	3,218,900	45¾	− ⅛	Am T & T	2,129,700	29⅛	+ ⅛
Citicorp	2,407,200	26	− ⅜	Varity Corp	2,088,500	3	—
Tandem Comp	2,329,000	18¼	+ 1⅝	Gen Electric	2,072,100	45⅞	+ ⅛
Union Carbide	2,263,100	27⅜	+ 1⅛	IBM	1,968,600	125	+ 1⅛
RJR Nabisco	2,131,700	95¾	− ⅛	Ford Motor	1,511,600	53	+ ⅞

Base values of all indices are 100 except NYSE All Common — 50; Standard and Poor's — 10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 19 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Oil	45.7m	1,620	+60	Mitsubishi Metal	25.7m	950	+6
Mitsubishi Heavy Ind	42.2m	1,160	-30	NKK	23.4m	945	-35
Sato Kogyo	36.3m	1,120	+70	Nishimatsu	21.8m	950	+31
Nippon Mining	33.7m	866	+28	Hazama	21.8m	1,010	-10
Nippon Steel	25.7m	878	-37	Taisei	21.7m	1,320	-10

2pm prices January 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	10⅞	AAR	.44	1.6	16	566	27⅞	26¾	26⅞	+ ⅛
19½	8⅜	ACM s	7.01	11.		30	9⅝	9⅜	9⅝	+ ⅛
12⅜	10¼	ACMIn	1.20a	12.		488	10⅜	10⅜	10⅜	+ ⅛
10⅞	8½	ACM M	e.17e	1.9		143	9⅛	9	9	– ⅛
12⅜	10⅝	ACM Sc	1.26	12.		610	10⅜	10⅝	10⅝	
10⅜	8½	ACMSp	n1.01e	11.		250	9⅛	9	9	
6⅜	2⅞	AMCA	.12e	3.5		6	3⅜	3⅜	3⅜	+ ⅛
6⅞	3⅝	AM Intl				349	5⅛	4⅞	5	
36¼	10¼	AM Int pf	2	9.7		13	22	20	22	+ ⅛
60⅞	30⅝	AMR			9	4114	55⅛	54⅛	54⅜	– ¼
30	25	ANR pf	2.67	10.		5	26	26	26	– ¼
6½	5⅜	ARX			10	100	5⅞	5⅞	5⅞	+ ⅛
48¼	23¼	ASA	3a	7.6		725	39⅝	38⅝	39¼	+ ⅞
29¼	12⅞	AVX	.24	1.3	13	121	18⅞	18⅛	18⅜	+ ⅛
52⅝	40⅞	AbtLab	1.20	2.6	14	2741	47⅛	46⅞	46	– ⅛
29¼	15⅜	Abitibi g	1			30	17	16¾	16⅞	+ ⅛
13⅞	7½	AcmeC	.40	4.2		36	9⅝	9½	9⅝	– ⅛
6⅞	6⅞	AcmeE	.32b	5.0	60	1	6⅜	6⅜	6⅜	+ ⅛
29⅛	16¼	Acuson			30	212	24	30⅛	29	+ ½
17	14½	AdaEx	1.82e	12.		66	14⅞	14⅞	14⅞	
16⅞	7⅛	AMD			60	3209	9⅝	6½	9⅜	+ ⅛
6½	5½	Adobe				113	7⅛	7	7⅛	+ ⅛
21¼	26	Adob pf	2.40	12.		8	20¼	20¼	30¼	
8⅛	5⅞	Advest	.16	1.8	23	422	7⅝	7½	7½	– ⅛
32½	59½	AetnLf	2.30	6.7	8	1430	49¼	46⅞	46½	– ⅛
68½	24	AflPb s	.52	.5		4143	u41½	40¼	40⅜	+2⅛
18⅞	13¼	Ahmans	.88	6.1	16	3809	17⅛	17	17⅛	+ ⅛
4⅝	1⅞	Aileen			21	14	3⅛	3⅞	3⅜	– ⅛
63¼	36½	AirPrd	1.20	2.7	12	708	45⅛	44⅞	48¼	+ ⅛
20⅛	12¼	AirbFrt	.60	2.7	22	46	30¼	29½	29½	
17¼	10	Airgas			10	153	u16	17¼	17¼	+ ⅛
30	17	Airlease	2.40	13.	9	11	19	10⅞	18	

Continued on Page 41

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
48⅞	28⅝	SPSTec	7.20	2.8	20	30	43⅞	42⅞	42⅞	− ⅛
44⅞	30⅛	SPX Cp	1.20	3.0	10	1547	39⅞	38⅞	39⅞	+ ⅝
31⅝	19	SSMC			74	27	22⅞	22⅞	22⅞	
25	17	Saatchi	7.04e	5.4	7	834	19⅞	19⅞	19⅞	− ⅛
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	11⅞	Talley	.30	2.3	81	211	13⅞	13¼	13	− ⅛
23	17⅞	Talley pf	1	5.6		6	18	10	18	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16½	7⅞	USACaf	1	12.	10	110	8⅞	8¼	8⅞	+ ⅛
40⅞	20½	USLIFE	1.36	3.6	8	43	38⅞	37⅞	37⅞	
[illegible]										
62	50¾	Xerox	3	5.1	10	882	59	58⅛	58¾	− ¼
50¾	46	Xerox pf	4.18	8.8		2	47	47	47	− ¼
39½	24⅞	XTRA	.72	1.8	10	440	u40¼	39⅞	39¾	+1
29⅝	26½	XTRA pf	1.94	6.5		36	u30	28	30	+ ⅞
3⅞	2	Zapata				3546	3	2⅞	2⅞	+ ⅛
27⅞	14⅞	Zayre	.40	1.6	164	2116	24⅞	24½	24⅝	
30	15½	ZenithE				487	20⅞	20¼	20⅛	− ¼
10¾	8⅞	Zenin n	.88e	7.2		65	9⅝	9½	9½	− ⅛
3½	1	vjZenLb				136	1⅞	1½	1⅞	+ ⅛
21⅞	15	ZenNt	.80b	4.7	6	27	17½	16⅞	16⅞	− ⅛
18½	13	Zero	.44	2.5	14	127	17⅞	17⅝	17⅞	− ⅛
29	19	Zurnin	.88	2.4	17	415	27⅞	27⅞	27⅞	+ ⅛
11¾	9⅛	Zweig	1.06e	10.		167	10½	10¼	10½	
10¾	9	ZweigT	n.16e	1.7		708	9½	9¼	9⅜	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices January 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
PopeEv			100	5-16	5-16	5-10	− 1-10
PrcsCm		1	65	7½	7¼	7¼	− ⅛
ProfCre		11	258	5¼	5	5	− ¼
− R − R −							
RAC s	1.23e		228	7¼	7⅛	7¼	
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2pm prices January 19

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Resilience of dollar lends support to steady Dow

Wall Street

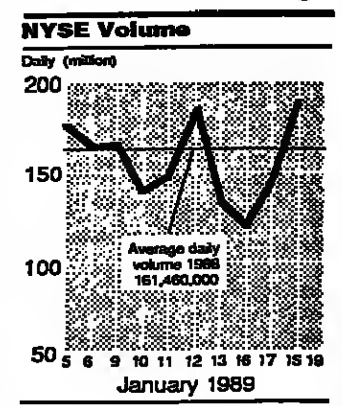
THE EXTRAORDINARY resilience of the dollar in the face of waves of central bank intervention was one of the factors yesterday underpinning the equity market, which has gathered momentum in recent days, *writes Janet Bush in New York*.

At 2pm, the Dow Jones Industrial Average stood unchanged at 2,238.75, having given up early gains. Volume was active with 127m shares changing hands by midsession.

The sharp rise in the Dow on Wednesday coupled with yesterday's early gains took the index mid-morning above what some regard as an important technical milestone: the closing level on October 16, 1987, the trading day before the stock market crash, of 2,246.74. In 15 months, the Dow has clawed back the full 508 points lost on Black Monday.

Of more fundamental importance to sentiment in the market is the current strength in the dollar. In spite of concerted intervention and the worse than expected trade figures on Wednesday, and another bout of central bank dollar sales yesterday, the US currency continued to be well bid.

The combination of a stock market at post-crash highs and a strengthening currency may be the formula to attract investment in US equities.



In midsession currency trading in New York, the dollar was quoted only marginally below its highs against the Japanese yen, which has not been the focus of the intervention, and wes also resilient against the West German D-Mark which has been the main currency involved in the intervention against the dollar.

The US stock merket was also helped by takeover activity which pushed some stocks sharply higher. There were also some healthy corporate results announcements.

Polaroid jumped $3⅛ to $39⅞ after Shamrock sweetened its bid to $45 e share from $40 a share and said it intended to seek control of Polaroid's board through e proxy fight.

Church's Fried Chicken added $⅝ to $8⅞. The company, which has received an $8 a share offer from A Copeland Enterprises, said it would seek otheroffers. Ogilvy Group jumped $1⅜ in over-the-counter trading to $32⅛ after reports that the company could become the target of a takeover ettempt hy a London company, VPI Group.

Digital Equipment reported net earnings of $2.20 a share In the second quarter compared with $2.48 the previous year, much better than forecast. The stock rose $5⅝ to $105¼.

Seagate Technology added $1⅞ to $11 on the over-the-counter market after the company announced an unexpected profit of 15 cents a share in its second quarter.

McCaw Cellular's A shares, traded on the over-the-counter market, jumped $4⅝ to $33⅝. British Telecom has agreed to take a 22 per cent stake in the Seattle-based company for $1.5hn. LIN Broadcasting meanwhile soared $5 to $82⅞ on speculation that the company may receive a takeover offer from McCaw.

Canada

BUYING was active across the board in Toronto as share prices moved sharply higher in early trading. The composite index rose 14.4 to 3,546.6.

Shares drop after Brazil unveils latest inflation plan

By **John Barham** in Sao Paulo

BRAZIL'S stock markets are hanging on the Government's every word. Dealer after dealer says "we have to see if the Summer Plan works."

The Plan, introdnced on Sunday, is the Government's third attempt in as many years to stop inflation. Stock markets plummeted after the plan was launched. When markets opened on Wednesday after a two-day bank holiday, the Rio de Janeiro Exchange fell 6.2 per cent and the Sao Paulo market lost 3.5 per cent.

Yesterday, share prices kept falling. The Sao Paulo market dropped a further 5.5 per cent, with the Ibovespa composite index closing et 33,124. At mid-session, Rio had slipped 5.2 per cent, with the IBV index at 126,707.

Operators said trading was nervous, with wild price gyrations. On Wednesday the most liquid stocks lost 16 per cent, only to recover nearly all the ground by the end of trading.

Markets fell hecause the Central Bank pegged money market interest rates at 25 per cent a month, while inflation is expected to be very much lower. The Central Bank wants to prevent panic buying and stifle speculation hy keeping interest rates high. Gold and hlack market dollars also slumped in a headlong stampede into the money market.

In spite of falling share prices, analysts are still not sure what to make of the plan. They say defensively that nothing can ever be certain in Brazil until after carnival which ends on Ash Wednesday – February 8 this year.

The markets hope the plan will reduce inflation from 30 per cent a month to a more bearable 5 per cent to 7 per cent e month. But misgivings about Brasilia's commitment to austerity are growing. The announcement on Tuesday that Congress would have the final word on firIng np to 90,000 government employees angered Investors. Congress is thongbt to be unlikely to approve the measure.

Mr Henrique Molinari, a director of Banco Crefisul, an investment bank, said: "On the positive side, the Government has set Interest rates high, which shows it is serious. On the negative side, by sending the dismissals to Congress, it has reduced confidence."

Cash-rich and export-oriented companies will be the first to benefit from the plan, while banks will lose. Mr Paulo Possas, an investment consultant, said he thinks the Summer Plan will eventually be good for stocks. Others are less sure.

Mr Joeo Marcos Nunes, a director of a hrokerage owned by NMB Bank of the Netherlands, said: "In e way it is e good sign that stocks are falling, because it shows the market expects a recession, which Indicates that the plan is working."

SOUTH AFRICA

THE steady hnllion price supported quality stocks as gold shares closed mixed In uncertain trading. Mining financials and diamonds posted good gains while platinums were quietly steady.

ASIA PACIFIC

Confidence dampened by Nikkei's rapid advance

Tokyo

INVESTORS finally hegan to show signs of besitation about the rapid rise in the market and shares plunged In early trading, although most of the losses were recovered by the close, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei average closed just 43.15 lower at 31,311.40 after dropping 244.14 to a low of 31,110.41 earlier In the day. The high was 31,463.70.

Altbougb tbe index rebounded at tbe finish, 507 issues fell against 407 gains, while 165 issues were unchanged. Turnover at 1.23bn shares was close to the 1.23hn traded on Wednesday. The Topix index of all listed shares fell 16.35 to 2,435.55 and in London the ISE/Nikkei 50 index was off 3.17 at 1,977.21.

A number of factors combined to dampen investor confidence, beginning with the weaker yen and higher domestic sbort-term interest rates.

To aggravate the situation, there was news early yesterday that the research arm of Nomura Securities had overestimated the expected recovery in earnings in tbe steel industry. Rumours also spread that the Ministry of Finance had summoned representatives of the four big securities houses and admonished them for the extraordinary rise in the market when the nation was supposed to be in deep mourning for the late Emperor.

Some said the buying had reached an impasse. "Investors have run out of things to buy," said Mr Masami Okuma, chief trader et UBS Phillips and Drew.

Nippon Oil was the most actively traded issue with 45.7m shares following its strong performance on Wednesday after it was reported that the company had acquired the rights to develop 300 oil excavation sites in the Mexican Gulf. The stock gained Y60 to Y1,620. The rise in crude oil prices also encouraged buying of oil and resources issues including Nippon Mining, which rose Y29 to Y858 in heavy trading after hitting a record high of Y860.

Several construction companies maintained their upward momentum. Sato Kogyo, the third most active stock with 36.3m shares, rose Y70 to a record high of Y1,120. Nishimatsu Construction, specialising in large-scale civil engineering projects, rose Y31 to Y960. Interest in medium-sized construction companies was triggered hy the announcement on Wednesday that the Government plans to start construction work on three new hullet train railway lines.

Steels were weaker following the Nomura revision of earnings prospects. Mitsubishi Heavy Industries, second In volume with 42.2m sheres traded, also Y30 to Y1,150.

Trading in Osaka was also hit by tbe weaker yen and higher oil prices. The OSE everage lost 24.86 to 29,419.11, the first fall in 14 sessions.

Roundup

THE ADVANCE on Wall Street overnight helped soms Asia Pacific markets to firm, hut Hong Kong came off after strong gains.

HONG KONG gave In to profit-taking after a strong start and the indices finished slightly lower In active volume of HK$1.8hn compared with Wednesday'a HK$1.6bn.

The collapse of a large property deal – the sale of the Shui On Centre – did not have as negative an impact as expected and the Hang Seng index lost just 3.39 to 2,909.66.

AUSTRALIA firmed in line with London and New York, with leading resources stocks particularly popular. The All Ordinaries index closed 9.5 up at 1,512.0 in volume of 113m shares worth A$228m.

MIM gained 8 cents to A$1.89 on 6.72m shares after its 73 per cent rise in half year profits reported on Wednesday.

In industrials, Elders IXL rose 9 cents to A$2.92 on 6m shares as investors welcomed its partnership with Canadian brewers Molson.

SINGAPORE closed only marginally higher. The Straits Times industrial index was up 4.83 at 1,099.24 in turnover of 49.5m shares, up from Wednesday's 46.5m.

United Overseas Land was active. Its shared added 12 cents to S$1.56 and its warrants 6½ cents to 66 cents on speculation that it had sold some property.

NEW ZEALAND was boosted hy gains in overseas markets, news of improving domestic economic fundamentals and continued strong demand for the exchange's largest listed company, Fletcher Challenge. The Barclays index added 20.70 to 1,938.95.

TAIWAN was taken lower by continued caution end rumours that capital increase proposals from the three main banks would not be passed in a meeting at the Taiwan Provincial Assemhly next Monday. The weighted index lost 259.84 to 5,826.83.

EUROPE

Stockholm and Oslo jump on liberalisation moves

THE spotlight focused on Scandinavian markets yesterday after liberalisation moves in Sweden, while other European bourses took Interest rate rises nonchalantly, *writes Our Markets Staff*.

STOCKHOLM pulled another all-time high out of its hat of tricks after news that the Central Bank wes aholishing equity Investment regulations with immediate effect. The Affärsvärlden index jumped 10.8, or 1 per cent, to 1,042.4.

Under the new rules – which came as e surprise in terms of timing – Swedes will be able to invest abroad, foreigners will be able to huy unquoted Swedish shares and all Swedish companies will be allowed to buy property overseas. Exchange controls and the need to obtain government permits have restricted such activity in the past.

The news was seen as positive for both Sweden and overseas markets, particularly those in Scandinavia as well as London, New York and Tokyo. Domestic institutions were cash rich and the new channels for investment would provide a healthy safety-valve, said one analyst. "Instead of there being a continuous head of steam on domestic casb flows building up in Sweden, it's now possible for it to flow over much more readily into foreign markets."

Swedish investors were restricted to hnying SKr3hn worth of foreign equities last year and Kleinwort Benson guesses purchases could reach SKr5bn-6bn this year.

Insurance company Skandia, which will henefit from improved access to property and equities, added SKr11 to SKr202.

OSLO jumped by 3.5 per cent in delight at the Swedish liberalisation and et higher oil prices. The all share index climbed 13.29 to 397.30, taking its rise since the start of the year to 13.4 per cent. Turnover reached a record NKr718m.

Norway is seen as the main beneficiary in the short-term from its neighbour's move, and prices were marked up in anticipation of a "Swedisb invasion." In industrials, Aker added NKr1 to NKr54.50 and Kvaerner, whicb announced it was buying Norwegian boat hnilder Fjellstrand for NKr97m, climbed NKr11 to NKr298.

FRANKFURT breathed a sigh of relief once the Bundesbank had announced half point rises in the Lombard and discount rates, and shares climbed in active trading. The move was typical of the market's reaction to expected interest rate rises, said one dealer. "People worry about it beforehand and when they do it the market goes down for two seconds and then goes up."

The dollar's continued strength suddenly ceased to be of such concern and the FAZ Index rose 9.07 to 560.14 in turnover worth DM4.24bn. The DAX index finished 11.47 better at 1,335.15, after reaching a high of 1,340.09.

There was some foreign buying of the market, with Far Eastern demand for Siemens, up DM4.40 at DM529.50, with some relief being expressed that the Metsun consortium had dropped its planned bid for GEC, which is bidding with Siemens for Plessey.

Steel stock Thyssen was popular, rising DM8 to e new high for the year of DM199.50 on the day's most active trading worth DM403.6m. Dresdner Bank was reported to bave raised its forecast for Thyssen's 1989 earnings. Engineering stock KHD rose DM14.80 to DM156.80 amid renewed speculation about a possible takeover by Fiat of Italy or John Deere of the US.

PARIS ended higher once the interest rate rise was out of the way, with the CAC General index opening up 0.6 at 438.8 and the OMF 50 index adding 5.59 to 458.85.

The key Intervention rate was raised by ¼ point to 8¼ per cent around midday after the Bundesbank's move.

Corporate news kept individual stocks in the limelight; Saint Gobain put on FFr7 to FFr623 after reporting a sharp increase in annual profits earlier this week; Parihas, announcing e 40 per cent jump in its year-end earnings, climbed FFr4.10 to FFr491; and Suez gave up FFr1 to FFr313 after its subsidiary Banque Indosuez forecast a rise of at least 10 per cent in 1988 profits.

AMSTERDAM had a strong day, coming off only slightly towards the close as the dollar eased on central bank selling and Wall Street's easier start. The CBS tendency index rose 1.8 to 162.0 in fairly lively trading, with the round of European interest rate rises already discounted.

Royal Dntch was strong again, adding Fl 1.30 to Fl 123.20 following Wednesday's two-for-one stock split. In chemicals, Akzo climbed Fl 3.40 to Fl 151.70, recovering some of the ground lost as institutions sold recently to make way for the flotation next month of state-owned DSM. Operations at Akzo's Rotterdam chloride plant have partially resumed after fire damage two weeks ago.

MILAN ended mixed after recovering from early losses and the Comit index eased 0.20 to 613.22. Volume was said to be similar to Wednesday's L220bn.

Fiat was fixed L33 weaker at L10,070 hut then rose to L10,155 after hours, which one analyst thought "encouraging for the market."

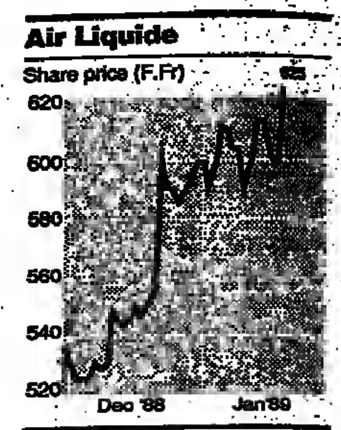
Retailer Standa surged L2,190 to L23,800 for a two-day rise of 14 per cent. While some analysts believe the long-term prospects for the gronp are attracting demand, others suggest the chairman, Mr Silvio Berlusconi, could be buying up outstanding voting shares.

ZURICH had a quiet session, with the news of higher domestic Interest rates apparently already discounted. The Crédit Suisse index gave up 0.5 to 536.

SWITZERLAND'S five leading stock exchanges booked total securities turnover of SFr875bn ($550bn) last year, 11.7 per cent less than the 1987 record of SFr992bn, *writes John Wicks in Zurich*.

The share of the Zurich exchange rose to 65 per cent, with Geneva taking 22.8 per cent and Basle 9.4 per cent and the rest shared between Lausanne and Berne.

Despite Zurich's increased share in value terms, the number of bargains there dropped by 1.4 per cent over the year and by 20.4 per cent in Basle. Geneva trades increased by 11.8 per cent, while Lausanne's rose by 27 per cent and Berne's fell by 1.2 per cent.



Tokyo land prices boost Air Liquide

By **Hilary de Boerr**

SOARING land prices in Tokyo have proved an unexpected boon for Air Liquide, the leading French industrial gas group, which has seen its share price take off in recent weeks.

The blue chip stock has jumped by 18 per cent since the start of December to FFr625 yesterday, after waking from a long sleep that lasted about six months. The climb compares with a 12 per cent rise in the CAC General index since December 1.

The latest rise in Air Liquide is linked in part to speculation over its 65 per cent-owned Japanese subsidiary, Teisan, the country's second largest industrial gas company, which has land assets In the pricey Tokyo Bay area. Teisan's share price has more than quadrupled over the past six weeks, from about Y500 to Y2,030 yesterday, on speculation over possible property sales.

James Cepel, the London brokers, estimates that the sharp jump in Teisan's stock price adds FFr145 to Air Liquide's net asset value, which at the end of 1987 stood at FFr200.

In 1987, about half of Teisan's profits came from exceptional gains from land asset sales. The profits forecast for last year is similar to 1987's Y1.8bn hut does not include any earnings from land sales. James Capels' chemicals analyst Ms Jackie Ashurst says: "The speculation is around whether they do still have saleable assets, and the answer is probahly yes."

Air Liquide is also currently popular on fündamental grounds, she says, as well as the recurring rumour of a possible rights issue.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 18 1989					TUESDAY JANUARY 17 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	147.13	+0.7	124.29	113.37	4.73	146.16	122.57	113.45	152.31	91.16	101.16
Austria (18)	92.87	−0.2	78.46	89.60	2.75	93.09	78.06	89.42	100.00	83.72	91.12
Belgium (63)	131.16	−1.5	110.80	127.12	3.95	133.22	111.72	127.80	139.89	99.14	104.76
Canada (126)	131.55	+1.0	111.13	113.78	3.20	130.24	109.22	112.94	131.55	107.06	110.40
Denmark (39)	156 52	−0.1	132.23	154.18	1.97	156.66	131.37	152.55	161.60	111.42	113.78
Finland (26)	128 15	+1.2	108.26	115.11	1.52	126.63	106.19	113.56	139.83	106.78	112.33
France (131)	113.76	−1.3	96.10	113.71	2.85	115.27	96.66	114.09	117.51	72.77	77.33
West Germany (102)	84.04	−0.5	71.00	81.68	2.31	84.48	70.85	81.28	90.40	67.78	70.13
Hong Kong (46)	120.78	+0.8	102.03	121.01	4.08	119.87	100.52	120.11	120.78	84.90	94.42
Ireland (18)	128.45	−0.4	108.51	126.48	3.98	128.98	108.16	125.95	144.25	104.60	111.23
Italy (98)	84.40	−1.2	71.30	86.28	2.33	85.40	71.61	86.55	86.88	62.99	73.80
Japan (456)	194.01	−0.5	163.90	157.53	0.48	194.94	163.47	157.36	197.43	133.61	141.38
Malaysia (36)	148 75	−1.3	125.66	156.49	2.72	150.77	126.43	158.49	154.17	107.83	120.61
Mexico (13)	164 04	+0.1	138.58	410.28	1.25	163.86	137.41	409.73	182.24	90.07	107.23
Netherland (38)	110.80	−1.1	93.60	106.71	4.62	112.00	93.92	106.79	113.49	95.23	96.06
New Zealand (24)	70 13	+0.5	59.24	59.52	6.62	69.76	58.50	59.28	84.05	63.32	77.25
Norway (26)	153.18	−0.7	129.40	140.45	1.94	154.20	129.31	140.54	154.20	98.55	106.10
Singapore (26)	132.75	−1.4	112.14	119.14	2.24	134.66	112.92	120.64	135.89	97.99	107.02
South Africa (60)	120.07	+0.7	101.44	102.33	4.52	119.24	99.99	102.22	139.07	98.26	128.05
Spain (42)	147.55	−1.0	124.65	130.67	3.13	149.00	124.94	130.77	164.47	130.73	135.72
Sweden (35)	143.92	−0.7	121.58	135.19	2.11	145.01	121.60	135.24	146.97	96.92	99.89
Switzerland (57)	76.07	−1.1	64.26	74.96	2.26	76.93	64.51	75.17	86.75	74.13	78.04
United Kingdom (314)	138.31	+0.4	116.84	116.84	4.63	137.69	115.47	115.47	141.51	120.66	129.87
USA (570)	116.58	+1.0	98.48	116.58	3.59	115.44	96.81	115.44	116.58	99.19	99.19
Europe (1007)	114.30	−0.3	96.56	104.39	3.62	114.69	96.17	103.86	116.61	97.01	100:30
Nordic (126)	140.21	−0.3	118.44	128.81	1.98	140.64	117.94	128.19	–	–	–
Pacific Basin (678)	189.05	−0.4	159.70	154.07	0.69	189.85	159.20	153.90	192.26	130.81	137.99
Euro-Pacific (1685)	159.11	−0.4	134.41	134.40	1.55	159.74	133.96	134.09	161.61	120.36	122.94
North America (696)	117.38	+1.0	99.16	116.44	3.56	116.24	97.47	115.32	117.38	99.78	99.78
Europe Ex. UK (693)	99.24	−1.0	83.84	96.86	2.81	100.20	84.03	96.88	102.91	80.27	81.99
Pacific Ex. Japan (222)	129.64	+0.5	109.52	110 39	4.43	128.99	108.17	110.28	130.38	87.51	97.10
World Ex US (1884)	157.77	−0.3	133.28	133.52	1.62	158.32	132.76	133.20	160.10	120.26	122.56
World Ex. UK (2140)	142.28	+0.0	120.20	128.95	1.98	142.27	119.30	128.44	143.47	111.77	111.91
World Ex. So. Af. (2394)	142.05	+0.0	120.00	127.96	2.20	141.99	119.06	127.37	143.13	113.26	113.41
World Ex. Japan (1998)	116.84	+0.5	98.70	112.06	3.63	116.28	97.51	111.22	116.84	100.00	100.16
The World Index (2454)	141.91	+0.0	119.88	127.79	2.21	141.85	118.95	127.20	142.98	113.37	113.51

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

Latest prices were unavailable for this edition.
Amendments to indices for January 18 applied to Mexico, World Ex. US and World Ex. Japan.